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FEDERAL GOVERNMENT INSPECTORS GENERAL FRAUD HOTLINES

HEARING

BEFORE THE

SUBCOMMITTEE ON GENERAL SERVICES, FEDERALISM, AND THE DISTRICT OF COLUMBIA

OF THE

COMMITTEE ON GOVERNMENTAL AFFAIRS UNITED STATES SENATE

ONE HUNDRED FIRST CONGRESS

FIRST SESSION

NOVEMBER 13, 1989

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FEDERAL GOVERNMENT INSPECTORS GENERAL FRAUD HOTLINES

MONDAY, NOVEMBER 13, 1989

U.S. SENATE,
SUBCOMMITTEE ON GENERAL SERVICES, FEDERALISM,
AND THE DISTRICT OF COLUMBIA,
COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, D.C.

The Subcommittee met, pursuant to notice, at 10:10 a.m., in room SD-342, Dirksen Senate Office Building, Hon. Jim Sasser, Chairman of the Subcommittee, presiding.

Present: Senator Sasser.

OPENING STATEMENT OF SENATOR SASSER

Senator SASSER. The Subcommittee will come to order.

I want to welcome our panel here this morning. I apologize for running just a little late this morning. We are still working on the whole question of the budget, and one of my other duties is that I have the dubious distinction of being Chairman of the Senate Budget Committee, and so that has been requiring a little bit of my time this morning.

Today the Senate Governmental Affairs Subcommittee on General Services, Federalism, and the District of Columbia convenes to conduct a hearing on the operations and procedures of the Federal Government's Inspectors General fraud hotlines. For the past 8 years the taxpayers of this country have been barraged with repeated incidents of waste and fraud in our Government. Schemes to cheat the taxpayers have gone unchecked. It is at least arguable that those schemes succeeded because of the hands-off management style of the previous Administration, an Administration that harbored a profound distrust of Government, judging from their public statements and private actions.

In my judgment, that distrust resulted in a self-fulfilling prophecy. The belief, often stated by the previous Administration, that Government itself is part of the problem in the final analysis made Government a part of the problem. As a consequence, we have had bid rigging schemes at the Department of Defense, political payoffs at the Department of Housing and Urban Development, and been negligent of oversight of the savings and loan industry that have cost the Federal Treasury and will cost the Federal Treasury tens of billions of dollars.

The laundry list of scandal is endless, and the cost to the taxpayers, as I said earlier, has risen into the tens of billions. We thought we had an early warning system in place to stop waste and fraud, the hotlines that are maintained by the Inspectors General in every department of the Federal Government, but over the last 8 years the warning bells simply did not ring, and the question is why not?

We will hear today from the General Accounting Office on the results of a new study of the hotline system. We will hear evidence from a nationwide poll of Federal employees that shows, unhappily, that few of them trust the confidentiality of the hotline system, and that most Federal employees fear retribution for reporting waste, fraud or abuse in their departments.

We will hear from a Department of Defense employee who spent 5 years trying to blow the whistle on a pricing scandal only to have her identity disclosed to her co-workers and to the defense contractor. We will hear from the Bureau of Land Reclamation from an employee who was forced out of his job because of his efforts to blow the whistle on a land scandal, a land scandal that had it been exposed would have saved the taxpayers millions of dollars.

Unlike the General Accounting Office Waste and Fraud Hotline, which I established 10 years ago, the Inspectors General are not serving the purpose for which they were intended; at least the hotlines of the Inspectors General are not serving the purpose for which they were intended, and the question is why not? Why are hotlines often unmanned? Why are reports of fraud and abuse not investigated? Why are hotline numbers sometimes neither published, or when they are called, in service? And maybe most importantly, why do Federal employees distrust the system, and why don't they use it to stop abuse before it becomes scandal?

The necessity of properly staffing and responding to calls to the Inspectors General hotlines is underscored by the success of the GAO hotlines, which have saved the taxpayers literally millions of dollars.

With that in mind, I would like to welcome our witnesses who will testify today. They include Nancy Kusen, a Department of Defense administrative contracting officer, and Phillip Doe, from the Bureau of Land Reclamation in Denver. Both were dutiful whistleblowers and were rebuffed within their own agencies in their attempts to report instances of fraud and abuse. They ultimately turned to the press and to the Congress for redress of these grievances that they had witnessed and that they were attempting to report in an effort to save taxpayers' money and in an effort to have an efficient and effective Government.

I would also like to welcome Dina Rasor, Director of the Project for Military Procurement, who recently authored a "how to" handbook for Government whistleblowers.

And finally, we welcome the General Accounting Office Planning and Reporting Director, Brian Crowley, who will present a GAO study on the efficiency of the hotline program. And lastly, a man who is no stranger to this Subcommittee, or the full Committee, the OMB Deputy Director, William Diefenderfer, who is chairman of the President's Council on Integrity and Efficiency.

I want to welcome all of our witnesses today, and we will begin with you, Nancy Kusen, and look forward this morning to your statement and your observations, and you may proceed.

TESTIMONY OF NANCY KUSEN, ADMINISTRATIVE CONTRACTING OFFICER, U.S. DEPARTMENT OF DEFENSE [1]

Ms. KUSEN. Thank you, Senator. My name is Nancy Kusen. I am a Federal employee with 16 years service, and I am currently an administrative contracting officer with the Defense Logistics Agency (DLA), Defense Contract Administration Services Management Area (DCASMA), Pittsburgh, Pennsylvania. I am also an unsuccessful, extremely frustrated whistleblower with the Department of Defense Hotline, and I have gone public with allegations concerning a Western Pennsylvania defense contractor.

I want to thank the Subcommittee for the invitation to speak at this hearing regarding my experiences with the DOD Hotline. My experiences left me convinced that the hotline does not work and that hotline reform is necessary. I am eager to see hotline reform happen to encourage other potential whistleblowers.

My DLA manual states in part, that "DLA representatives have the inherent responsibility during the normal performance of their duties to assure that proper authorities are immediately notified of any known price disparity which is contrary to the best interest of the U.S. Government."

With that in mind, and being concerned taxpayers, a co-worker Mr. Stanley Wass, and I, began a 3½ year unsuccessful attempt to report and correct suspected fraud, waste, abuse and mismanagement on defense contracts with Elliott Company, at that time a wholly owned subsidiary of United Technologies Corporation.

From November 1984 through November 1985, one entire year, we reported the suspected contract irregularities to internal DCASMA management. The managers had the authority to correct the irregularities but were a part of them. As a result, no corrective action of any kind was ever taken.

Next, in November 1985 we reported the suspected irregularities and furnished supporting documentation to the new Pittsburgh office of the Defense Criminal Investigative Service (DCIS). After 6 months a discussion with the DCIS special agent left me convinced that a proper investigation was not being conducted when he told me he had not visited the Elliott facility to verify our allegations. At that point we decided to report the matter to the DOD Hotline. Stanley at that time became a silent whistleblowing partner——

Senator SASSER. This is Mr. Wass?

Ms. KUSEN. Mr. Wass—because be did not want to jeopardize his future retirement benefits.

From June 1986 through March 1987 we sent 26 letters to the DOD Hotline; 24 letters had supporting documentation attached that included audit reports, progress payment requests, Government and contractor correspondence, contract copies, Elliott service reports, waiver requests and quality deficiency reports. The allegations included fraud, collusion, overcharging, duplicate charging, and defective/substandard workmanship. A recoverable estimate of $6 million to $7 million was provided to the hotline upon the advice of hotline personnel.

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[1] See p. 33 for Ms. Kusen's prepared statement.

The hotline accepted our case but referred it directly back to the same DCIS office and special agent for investigation that we had reported the matter to 8 months earlier. The hotline informed me 1 year later that our case was found not substantiated and closed. That is when I called The Pittsburgh Press and went public. Under the Freedom of Information Act (FOIA), I requested from the hotline a copy of any and all information developed relative to our case. The hotline distributed my FOIA request to various Government agencies to determine document releasability. As a result, Headquarters, Defense Contract Audit Agency, released a copy of my FOIA request to United Technologies Corporation. It contained my name, my position, my home address, my home and work telephone numbers, and hotline case file number.

Maintaining my confidentiality within Government channels was not important to me, because my whistleblowing efforts against Elliott were common knowledge. However, I never expected United Technologies to be told. I felt the hotline betrayed and endangered me. I eventually received a copy of the investigative file. It contained obliterated DCIS reports of investigative activity, the illegible scrawl of a DCIS special agent, and all the correspondence and information that I sent to the hotline.

The final report contained errors of fact and referred to, "interviews of both current and former employees of Elliott." The investigative file released to me contained no indication of interviews with Elliott employees. The Pittsburgh Press reported that Elliott executives expressed surprise when interviewed about my complaints. Coincidentally, when the articles began appearing in The Pittsburgh Press, Elliott presented revised departmental hourly and burden rates to DCAA for review; five department rates went down and two went up. One department rate alone decreased 243 percent from 699 to 456.

In February 1989 I wrote to Rear Admiral M.E. Chang, Office of the Naval IG, Washington Navy Yard, and I respectfully requested that the U.S. Navy investigate the allegations and documentation I provided to Federal investigators. In April the Rear Admiral responded with what I refer to as the, "Kusen, give up already" letter. It stated, "In the absence of new evidence supporting these allegations I consider this matter closed."

After 4 years and 5 months I gave up. However, the U.S. Navy Price Fighter Detachment did not. The Detachment conducted an independent "should cost" analysis on an Elliott delivery order for 26 rotor assemblies. The Detachment's review revealed significant discrepancies between the amounts charged the Government for the items and the amount the items should have cost the Government. The price charged was $6,613.49 each. The "should cost" analysis indicated the price should have been $1,485.89.

Senator SASSER. In other words, they were charging $6,613.49 for the items and the analysis indicated they should be charging $1,485.89 for the items?

Ms. KUSEN. Yes. The total overcharging was $133,317.60 on just one delivery order. The delivery order reviewed by the Price Fighter Detachment was issued against contract 0446. I reported four other delivery orders against that same contract to the hotline for suspected overpricing. The investigative file did not mention one.

My whistleblowing activities left me with memories of repeated petty harassment by DCASMA Pittsburgh military/civilian managers; two lowered performance appraisals; one promotion denial; four grievances; one arbitration; an on-site investigation by the Office of the Special Counsel (OSC), Merit Systems Protection Board, for reprisal action taken against a known whistleblower. OSC targeted four DCASMA Pittsburgh military/civilian managers for the reprisal action; an appeal of the arbitration decision to the Office of Review and Appeals, Equal Employment Opportunity Commission; seeking help from Congresspersons Patricia Schroeder and William Coyne; and going public with investigative reporter Jerry Uhrhammer in The Pittsburgh Press.

My quality of life at DCASMA Pittsburgh has improved since my whistleblowing days. The four OSC targets have gone. I was promoted to Administrative Contracting Officer, and have received a monetary sustained superior performance award.

I am also Elliott Company's new contracting officer.

Senator SASSER. Ultimately I would say that is almost a success story.

Ms. KUSEN. I also wanted to bring in a centering ring for a turbine rotor assembly. It is used on a vertical forced draft blower. This centering ring involves 67 cents worth of stainless steel. The Navy paid $271 for it. And I sent many, many more examples like this to the hotline and nothing was ever done, nothing, ever.

Senator SASSER. Well, thank you very much. Now, you asked the Office of Inspector General, you sought your reports, or the reports that had been filed under the Freedom of Information Act; is that correct?

Ms. KUSEN. Yes.

Senator SASSER. And this chart here represents what you received back in response to your request for a copy of the report through the Freedom of Information Act. And just looking at that chart, we note that all of the pertinent, or what we would presume to be the pertinent results of the investigation, if one took place, have been totally blacked out.[1]

Ms. KUSEN. Right.

Senator SASSER. And the only thing that chart shows is principally just data involving time and place and who performed the investigation, and that is about it.

Ms. KUSEN. I received the investigative file. I sent two completely blacked out copies down. That is one of them. There was another one attached. And I have no doubt about it that underneath the blacked out paragraphs are stories about me, and I have no way of knowing what's under there. I'd like to know.

Senator SASSER. Well, thank you very much. We will return back to ask you some more questions in just a moment, but let's hear now from Mr. Phillip Doe.

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[1] See p. 36.

TESTIMONY OF PHILLIP T. DOE, BUREAU OF RECLAMATION [1]

Mr. Doe. Thank you, Senator Sasser. I gave the Subcommittee copies of my testimony last night, and in a dry run they informed me that I read with all the expressiveness of an aging bumblebee. So with your indulgence I'll just talk without going to my notes.

The purpose of my testimony is three-fold. I would like to give you a little background about reclamation law, which is quite simple really. I would like to then explain what Congressional expectations were in 1982 when Congress modified the law, and what Congress actually got through the rule making process, as they are vastly different. And then I would like to go into a few details about what happened to some of the people who tried to protect Congressional intent and the larger public interest.

Reclamation law goes back to 1902. It is very simple in concept. The American people underwrite water projects in the west so that farmers will have an opportunity to farm. There is a huge subsidy involved. There are no interest payments to the farmers, and they only have to pay that part of the debt that they are capable of paying. Given those conditions, there are limitations on how much any one person can receive. In the past the limit has been taxpayer supported water on no more than 160 acres. In the acreage limited, as you can see, was modeled after the Homestead Act.

In 1982, amid clamor for reform and modernization, Congress, after 5 years of debate on this act, modified it. They had very pronounced expectations. The trade-off was that they would increase the subsidy limit to 960 acres per family, but that was to constitute an absolute cap on the subsidy, an absolute cap.

I would like to enter into the record two statements, one by Senator McClure and one by Congressman Miller. McClure's statement is as follows, and this was on the floor of the Senate, defending the Senate bill that finally went to conference. "We must recognize that what we are trying to do in this legislation is get away from the building block concept that allows an almost infinite multiplication of 160 acre units, depending on how many members of the family you can get involved, to put a cap on the size."

And from Congressman Miller: "The ability to pay discount"—as I refer to later, the ability of farmers to pay the debt—"and the interest free repayment subsidy will be eliminated for farms larger than 960 acres and for corporations of more than 18 persons. There is no public purpose or rationale within reclamation laws for providing taxpayer subsidies to large scale farming interests which can well afford to pay the public benefits they receive."

He goes on to say, "The entire history of this legislation through 5 years of hearings and debates establishes that comprehensive pricing reforms, broadly applied and rigorously enforced, must be a fundamental component of the revision of the reclamation laws."

He goes on finally to say, "Wherever and whenever possible the Department of the Interior should use the provisions of this act and the reclamation laws to recover more fully for the taxpayers of the United States the cost of these projects."

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[1] See p. 44 for Mr. Doe's prepared statement.

Let me describe briefly some of the provisions of this act, what Congress expected and what they got.

On ownership: they expected a family ownership to be limited to 960 acres. What you have in fact is practically no limitation. The only limitation is based on the number of people in the family. If you are fortunate enough to have 15 grandchildren, you can have 15 times 960 acres.

If you have an obedient doorman or footman, you can give him 960 acres through a trust, and you can get the subsidy there too. That is what Congress got. That is what you got, Senator.

On water subsidy limits: Congress said the limit should be absolutely 960 acres. What you have is no limit on the subsidy whatever. You can farm thousands of acres, and the American taxpayer will pay the lion's share of the water bill. There is one farm just recently established of 23,000 acres. No full cost is paid. The entire thing is subsidized by the American taxpayer. The only time there is a limit on water subsidies is if somebody leases. And you can imagine there aren't many leases out there; those arrangements are called something else. They are called farm management arrangements, trusts, whatever, but they are never called leases. No one in their right mind would call them leases.

Trusts: Congress expected and was interested in the problems that this new law might pose to banks. So they gave an exception to the trustee, looking mostly to banks, so that banks would not find themselves in a Catch 22 situation where, as the trustee acting in a fiduciary capacity, they were deemed owner, and were therefore saddled with the 960 acres ownership limitation. Or not operating the land, found themselves subject to a full-cost water rate for their holdings in the trust department. What happened? Trusts have simply been used as a vehicle to maintain large-scale family holdings, with thousands of acres all served by subsidized water. This rule, as finally written, had very little to do with banks. It simply was used as another escape hatch for large-scale farmers.

Excess land: There is a provision in reclamation law that goes back to 1926. It is kind of a carrot if you will, an inducement to large-scale owners to sell their excess land. There were and are many land holdings in Reclamation projects that exceed the ownership limits allowed for under the law, and Congress attempted to entice those people owning such land to sell it by allowing them to get cheap water for 10 years. At the end of that time, farmers had to sell that land at a price that did not reflect the Federal investment. Many times the difference in the land values is as great as 10 times, so you can see that the market recognizes the value of the Federal investment.

In the 1982 Act, Congress extended the sale period for a number of reasons, because there had been a moratorium during the 1970s forbidding sales and because of court cases brought by contending farm interests. But they did not extend the subsidy. They were very clear about that. What happened? What did you get in the rules? The subsidy was extended. The calculation made in my office was that there was $79 million in cost recovery to the American taxpayer that was being squandered on a select few by this rule, and that if the practice continued there would be another $52 million lost. In the Budget Reconciliation Act of 1988 the Congress had to act to stop that abuse.

Foreign ownership: The Congress expected no entitlement to foreigners who did not live in this country. They were quite generous, however, in that, they said resident aliens could receive the same entitlement of 960 acres as citizens. What you in fact got in the rule is that nonresident aliens, a sheik or a baron for instance, can receive subsidies on 960 acres, as long as he doesn't hold the land directly. He can set up a corporation and is entitled to the subsidy. That was certainly not what Congress expected. Indeed, it is hard to satisfy the definition of a small family farm if the "farmer" does not even live in this country.

Operation and Management Costs: Reclamation law requires that one of the things a farmer must do, or a district must do on an annual basis, is to pay the O and M costs for maintaining the irrigation system. O and M costs should be viewed as being like the utility bill for your house. The law says—an older law, and Congress has gone back to this 1939 act several times—that if a district or an individual does not pay his O and M costs, at least his O and M cost, regardless of what his capital repayment is, he is not eligible for water, and water cannot be delivered to that farm or district until the O and M bills are paid.

As it occurred between 1983 when we first drafted rules, and 1987 when we went back to look at those rules again, we discovered that in California sometimes at the rate of $7 million to $8 million a year, in total, districts were not paying their O and M bill. Costs had increased so much over that period that the contracts did not cover O and M costs. But rather than going back to these districts and explaining this was against the law, this was allowed to continue, this hemorrhage to continue, so that you had the most unlikely of situations.

Over the course of a year in the Central Valley Project the United States would deliver 4 million acre feet of water to this project, and the crops would be sold. But at the end of the year, the United States was owed more money than it was before they delivered the water. I mean, that is almost inconceivable, but that is exactly what was happening, to the tune of about $7 million or $8 million a year. Congress tried to correct that, again, in the Budget Reconciliation Act of 1988, and to some degree they have been successful. But not everyone out there is actually paying their O and M costs, even to this day.

Finally, I would like to talk about some of the people that tried to protect the public interest. I would like to first talk about the attorneys.

There were two that basically had worked with us from the outset. Both were taken off the case during the height of the debate in 1986 and 1987. They were simply replaced by a person who knew absolutely nothing about reclamation law. Her eyes would just simply glaze over after about 10 minutes of conversation on these debates. One attorney who helped us actually quit the Government. The other, who was the assistant solicitor——

Senator Sasser. When were these attorneys replaced?

Mr. Doe. Well, this was in 1987. There was a log jam on some of these issues, and these were two of the people who were basically supporting the approach that our office was taking, and they were just replaced one day, without fanfare, without any forewarning. It was Peter Bont who quit shortly thereafter. I think he even quit practicing law for awhile. Gary Fischer, who was the assistant solicitor in the department on water issues, eventually took a job in the Department of Justice.

My two supervisors, during a sweeping reorganization that took place in 1988, were both moved. One is now the coordinator for Indian technical services. My primary boss, who was here in Washington and was in charge of O and M for the Bureau of Reclamation, was offered a job in Denver for which there was no job description. Being a man of some intelligence, he decided not to take that, and eventually wound up with another agency.

The office of which I was in charge was broken into two branches, and I was reassigned to become hazardous waste coordinator. That basically sums up what happened, what happened to Congressional intent. As I speak I suppose things haven't changed much.

Senator SASSER. We will come back to you in a moment, Mr. Doe, to ask you some more specific questions about that.

Now, I think you requested that Senator McClure's statement be included in the record?

Mr. DOE. Yes, I would like for both of those to be included, his statement and Congressman Miller's.

Senator SASSER. The statements of Senator McClure [1] and Congressman George Miller [2] will be included in the record.

We will turn now to Ms. Rasor and ask you to either read your statement or summarize it, whichever you prefer.

TESTIMONY OF DINA RASOR, PROJECT ON MILITARY PROCUREMENT [3]

Ms. RASOR. Okay. I will try to summarize it.

I want to thank you for inviting the Project on Military Procurement to testify. We have been working with military whistleblowers since about 1981. A lot of them have come from the Federal hotlines, very upset and unhappy with the situation, and mainly from the Department of Defense hotlines. And I will talk a little bit about that, but as I am sitting here listening to these stories, it came to me that if the hotlines truly worked, the Project on Military Procurement could be put out of business, which we would be very happy to be put out of business if the Government would investigate charges seriously.

And it made me realize that, having done military investigations for 9 years, that we have got a working relationship with a DOD Deputy Inspector General, Derek Vander Schaf, that he feels that when I call him and say, I've got this whistleblower that I have checked out and I don't think the charges are being taken seriously, or I know that your investigators are looking at it but they are getting snowballed, he will look into it. And when I saw that FOIA request, I realized we did a FOIA request on one of our long term investigations, because Mr. Vander Schaaf felt that he couldn't just give me the report. So I did file a freedom of information request and I got everything. There was nothing blacked out.

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[1] See p. 94.
[2] See p. 87.
[3] See p. 51 for Ms. Rasor's prepared statement.

And so I am beginning to realize that basically people who the call the hotline—well, I knew this before but it is more clear in my mind—people that are calling the hotline are really second class citizens in the sense that if you have someone intervene for you in Washington from a position of them knowing that if they don't do anything it will be very embarrassing, things can get done in the Inspector General's office. In fact, I think there are a lot of good decent people in the Inspector General's office who are trying. But obviously, the hotline people complaints are not taken that way.

And I wanted to bring up two examples that we have right now. I will keep these peoples names anonymous because they are still working with us, but these just came up within the last few weeks. One person called the GAO hotline and was told that they did not want to look at it, so he called the DOD IG hotline and——

Senator SASSER. The GAO hotline said they did not want to look at it?

Ms. RASOR. Yes. Basically they said that it wasn't their thing and they weren't interested.

Senator SASSER. What was the whistleblower calling GAO about?

Ms. RASOR. Well, this is where I have to be vague, because we are still in the process—the whistleblower wants to remain anonymous. I would be happy to tell you after the Committee, and in a little bit more detail. But it probably was more appropriate that they call the DOD Inspector General hotline.

We don't know if this whistleblower's charges are founded. You know, we haven't looked at it to see carefully, because this is just a person that came off the street, had heard about us. Well, what happened is that after the initial interview they never called him back. Three years later he tries to get what happened to his case, you know. He calls, he gets all excited because he feels like he has done his patriotic duty, and 3 years later he hasn't heard anything. "Hi, thank you, don't call us, we'll call you."

And when he filed this FOIA request it was all blacked out, and they said the investigation is still ongoing, and all he got was his initial thing. Well, I find it incredible that the investigation was still ongoing after 3 years, because if anyone knows anything in the Department of Defense, if you don't catch people within a few months after the initial allegations, they are long gone, the trail is cold.

That is one frustration. Another person that we had calling the Army IG waste, fraud and abuse hotline, violations on safe handling of hazardous waste. And all the opinions, conclusions and recommendations of the officer conducting the investigation were blacked out. A few years ago when I did a case and got the documents from the DOD IG, all the investigator's comments were in there, including the fact that he thought we had potentially helped save them a lot of money and that the whistleblower was right, but they couldn't do anything about it. It was the sort of typical thing where they come back and say, yes, you were right but it's too late, or there are too many waivers given, it is too far down the line, too late to do anything about it. So, as a result, the hotline once again turned the allegations over to the caller's boss, exposing their identity.

Senator SASSER. Turned the allegations over to whom?

Ms. RASOR. The caller's boss. In other words, there is a very natural tendency in a bureaucracy, wittingly or unwittingly, you get this complaint and, you know, I can imagine the guy sitting there with the telephone, you know. He gets the complaint, and everything in the Pentagon, as you know if you have ever had to deal with the Pentagon, has to go through channels. And, of course, that takes forever. So what they do is he bucks it down to the Army, let's say it is the Army. And the Army bucks it down to—in this situation it was hazardous waste. They buck it down to, you know, the hazardous waste. The head of hazardous waste looks at it and says, oh, that is Joe Smoe's outfit. Well, Joe Smoe is the guy doing the problem, and they buck it down to him.

Well, it doesn't take Joe Smoe more than 5 minutes, looking at the documents in a small office to figure out——

Senator SASSER. Who the whistleblower is.

Ms. RASOR [continuing]—who the whistleblower is. So a lot of my whistleblowers have characterized the hotlines as a sting operation, wittingly or unwittingly. I am not sure that—I think in some cases it might be done with knowledge that the person will get caught, and other times it is just a matter that it is bureaucracy, and they stamp and they channel and they think don't. They don't think.

There are a couple of fundamental problems with hotlines. That is one of them, that if you have a system that is so insensitive to how whistleblowers are caught that they will buck it down to their boss without thinking, then people will see—and I think the GAO report and the Federal survey they took—people will see that the hotlines are a sting operation, that they cannot be trusted, that the information, even though they, quote, give them a little control number and don't say their name, you got to be smart about these whistleblowers.

If you buck it right back down to their boss, it just does not take a boss very long to know who is in the office, who was in charge, and maybe the person had complained internally already and gotten nowhere. And that can be very devastating, as Ms. Kusen has talked about.

The other thing is I find it incredible that—and this doesn't happen just with the hotline, but this happens with the DIG in general. In my one case where I was very successful, I continually intervened with the threat of, gee, I don't want to have to make this a messy deal, let's keep on it.

They call the whistleblower once or twice, and they take their information and they go away, and they never ask—I mean, when they are going in to look at the documents, they are in a very complicated case, they never ask the whistleblower to sit there. So they will get a pile of documents and they will go through and they will find no evidence.

But unless you are inside and you know what the politics are and you know how they are trying to cover up, especially in defense contracting, very clever. I mean, these people get billions of dollars to be very clever year after year. And unless you know how they are going to—you have the whistleblower with the inside knowledge to show you what's going on—they say they have to have this independence from the whistleblower. Well, I think if they wanted—if they really want to discredit the whistleblower, the fastest way to do it is to get the pile of documents, or go to the files that the whistleblower identifies and say, okay, now here are the documents so prove your case.

But they don't do this. It is a hands-off situation. And I keep telling anyone that the only time that we ever go after a case—the Project on Military Procurement with our little staff of five—is when we have somebody on the inside or has been on the inside to tell us exactly where to go. I always characterize it, investigations in bank robberies are always the best when it is an inside job.

Senator SASSER. In other words, your complaint is that they don't ask the whistleblower to assist in directing the investigator to the problem?

Ms. RASOR. Right. I think that is a big problem with defense investigations in general, but it is a bigger problem with the hotline, because, you know, people call the hotline, they don't hear. If you take down a complaint and you go look at the documents but you don't have someone pointing it out—we have whistleblowers, you know, send us stacks and we will starting going through them. But without that whistleblower saying, look at this and how this is related to this, or explain their very complicated bureaucratic situation, you are in the same position as this woman who is brought in who doesn't know anything about reclamation law, and you sit down and, you know, these very slick company PR people come in with their auditors and they shift papers and everything looks very good.

In fact, in one investigation I did with the DIG, we sat down with the whistleblower, went through it, the investigators went out to Los Angeles but did not ask the whistleblower any questions, did an investigation, came back and said, we found no evidence. And I called up Derek Vander Schaaf and said, if they would talk to—the whistleblower is right there and he can tell you exactly where to find the evidence. He sent them back out, and they went and sat down with the whistleblower with the documents and the whistleblower said, A, B, C, and D, "Oh, yeah, we see it now."

And I really think that you have to have the whistleblower involved. And I know they want to have this sort of hands-off fair investigation, and you know, I can see the defense companies screaming that the whistleblower shouldn't be in charge of the investigative team. But whistleblowers that don't have any evidence or are doing sour grapes fall apart very quickly. When you say to them, tell me exactly where the documents are, go get those documents, you lay them out, say, here it is, make your case. And it could save the Government a lot of time and effort than trying to figure this out themselves. Either the whistleblower can make their case or they can't, and you weigh that against the company or the agency making their case.

So those are what I call two fundamental problems with hotlines, and I once again think that knowing my—you know, we have a hard enough time through the Congress or through the Inspector General's office trying to catch people with a whistleblower who walks off the street, but we certainly have better success than a hotline. And I think that unfortunately it is sort of like the Soviet society, you know. There is such much bureaucracy and whatever, you can't get anything done unless you have somebody who knows how to get something on the black market.

And where the Project on Military Procurement knows how to cut through all the Federal bureaucracy and help a whistleblower, either through Congress or whatever, and we shouldn't have to exist if those hotlines really worked.

Senator SASSER. Thank you very much.

First some questions for Nancy Kusen. Let me ask you this, Ms. Kusen. At the time of your first contact with the Defense Department hotline, did you have any concern at that time about possible retribution against you on your job, and did you have any fear that your identity might not be protected the first time you called the hotline number?

Ms. KUSEN. No, I really didn't have any concerns about job retribution, because I was pretty well liked within the office at that time, and I really wasn't concerned about it. I should have been.

Senator SASSER. Well, were you relying on the fact that you would be anonymous when you made your first hotline contact, or did you worry about the fact that your identity might not be protected?

Ms. KUSEN. No, I was not concerned about that, because for a year and a half I attempted to straighten the problem out internally and everyone knew it, and I really wasn't concerned. But I never dreamed that my identity would be released to United Technologies, I never thought that would ever happen, and that surprised me.

Senator SASSER. Well, were you interfacing with the employees or management of the Elliott Company at the time you were making your complaints to the whistleblower?

Ms. KUSEN. Yes, I was their contract administrator at the time, and after I tried to get some of the problems straightened out I was taken off Elliott contracts and they were reassigned to someone else.

Senator SASSER. So even though you went into this with no fear that there would be retribution against you on the job, your testimony is that subsequent thereto, after numerous contacts through the hotline, and then direct letter communications attempting to correct the situation with Elliott, there were numerous retributions against you on the job?

Ms. KUSEN. Yes, many.

Senator SASSER. Now, if you were to repeat these allegations that you made against Elliott, that is, if you were to attempt to blow the whistle once again, what course of action would you choose? Number one, would you contact the defense hotline?

Ms. KUSEN. No, never.

Senator SASSER. Well, why wouldn't you? That maybe self-evident, but let's just state it here clearly for the record.

Ms. KUSEN. Okay. I am taking a management course, and I ran across Edward Thorndike's law of effect which states that behavior followed by unsatisfying consequences tends not to be repeated, and I think that applies in my case.

Senator SASSER. Well, what advice would you give to others who would be similarly situated to yourself who are working, who are dedicated and devoted civil servants, who see evidence of waste, fraud and abuse taking place? What advice would you give them? Would you advise them to attempt to report this, and if so, how would you advise them to do it?

Ms. KUSEN. First of all, I would tell them that if they weren't persistent, persevering and strong willed, if they did not like to write or document their actions and others' actions, and if they had a family that depended on them for food, clothing, and shelter, don't do it. Also don't ever go to the Defense hotline.

Senator SASSER. So actually your experience has been that the Defense hotline is really operated to have a very chilling effect with regard to the exposure of waste, fraud and abuse in the defense establishment?

Ms. KUSEN. Yes.

Senator SASSER. Now, Mr. Doe, the intent of the 1982 reclamation law passed by the Congress, as you know, was to raise the ownership limitation and to limit Federal subsidies. This was supposed to be an effort to cut down on Federal subsidies and reduce Federal expenditures.

Now, in your estimation, if the rules had been enforced as they were passed by the Congress and signed into law by the President, how much money would have been saved by the Federal Treasury? Do you have an estimate of that?

Mr. DOE. It is difficult to say categorically, but I would say in the neighborhood of $100 million. You really have to back into this figure, for example, surveys done back in the late 1970s by the Department of Agriculture showed that about a million and a half acres out there, perhaps as much as 30 percent of the land in reclamation farms, were operated in farm holdings larger than 960.

Assuming that the full cost rate might be $50 an acre, you could find maybe $70 million in this area alone. I know for a fact that with regard to SRPA loans, the nature of which I explain more fully in my written testimony, another estimated another aspect of $12 million in contracted payments from large land owners was nullified by administrative decision. The people making this decision were fully aware that course they were prescribing was countrary to the interest of Congress. They also refunded all the interest payments back to 1982. I don't know that cost. I have given you some details of those extended recordable contracts where the hemorrhaging, in primarily in the Waterlands Water District, was actually $79 million in 4 years. So I think it would probably not be unrealistic to say perhaps $100 million a year. That might be on the high end but——

Senator SASSER. Well, when you began to detect that the rules were not being followed, who did you first contact to convey your concerns?

Mr. DOE. Well, as it happened, in 1986 we had a new Commissioner of Reclamation, and I brought my concerns to his attention.

Senator SASSER. Why did you not contact the Department, the Inspector General? Any particular reason?

Mr. **Doe**. Well, I have friends that have worked for the Inspector General. Their impression is in issues such as I was involved in the reaction would mostly be one of damage control.

Senator **Sasser**. You mean on the part of the Inspector General?

Mr. **Doe**. On the part of the Inspector General, yes. My impulse would be eventually to go to the subcommittees that have oversight of the agency, and finally that is what I had to do. I mean, we worked on this issue for 5 or 6 years. I played the straight man, really, and eventually got to the point where there was no avenue open. But I would never consider, in this situation, going to the IG. After all, I was speaking to agency heads and assistant secretaries within the Department, and when I was told that the Department was going to go this way, I don't suppose it was unrealistic of me to assume that the IG might know what was I going to tell him? Did you know that the Department, is going with apparent approval of the Secretary to do this?

You know, I can't see that that would advance the cause any.

Senator **Sasser**. So it was your judgment that discussing this with the Inspector General, who is charged with the responsibility of seeing that the laws and the rules and regulations are to be followed, discussing that with the Inspector General in this case would be a waste of time?

Mr. **Doe**. I think so, yes.

Senator **Sasser**. Did you ever consider calling a Department of the Interior hotline?

Mr. **Doe**. Well, actually they set up a specific hotline after Senate hearings in 1987. It was a promise made by the Assistant Secretary for this specific law. And in the first months no one ever called it, except one of the people that worked for me, and she found a recording. So no, I wouldn't.

Senator **Sasser**. She called the hotline and got a recording?

Mr. **Doe**. Yes. Well, she called to find out what she might find out, and she found out that there was a recording there. And as far as I know that may have been the only call.

Senator **Sasser**. Well, let me ask both Ms. Kusen and Ms. Rasor this question. What is your impression of your colleague's faith and trust in the Inspector General system for reporting waste, fraud, abuse and mismanagement? Would that be likely to contact an Inspector General's office, or the Inspector General hotline, if they had accounts of fraud?

Now, I ask you that, divorced from your own experiences. I simply ask you what your view would be as to how your fellow employees would react if they were confronted with instances of waste, fraud and abuse or mismanagement? Would they call the Inspector General, or would they attempt to contact his office or the hotline? What is your judgment on that? What do you say, Ms. Rasor?

Ms. **Rasor**. Well, I have never known a whistleblower to be successful with a hotline in 9 years of doing this. I shudder to think how many whistleblowers—we probably get 50 to 100 a year coming through our door. The majority of them either—the naive ones try it because, you know, they come in feeling they should be very patriotic and go through the system. The ones who are a little more savvy would just laugh it off.

As far as the Inspector General, I think the naive ones would think that if they went and told the Inspector General everything it would be okay. Sometimes the Inspector General rises to the occasion and sometimes they don't.

Unfortunately—and I think there are some really good people in the DOD IG that are trying very hard against all odds. I think Mr. Vander Schaaf does about as much as he can and still remain in that job. And I will get in trouble for saying that, but I will say it anyway. But I don't think that an IG investigation is really that successful unless someone outside of the whistleblower has a vested interest in it, a Member of Congress, an investigative group, or a reporter.

I feel that unless you have a constituency as a whistleblower, going to the IG isn't going to help you.

Senator SASSER. What did you say, Ms. Kusen.

Ms. KUSEN. Personally, I don't think anyone within my office would ever report to DOD IG, or any IG. I think people are satisfied just to let things go as they are.

Senator SASSER. Not rock the boat.

Ms. KUSEN. Right, that's it. They don't want to rock the boat. They don't want to make any waves. They just want to come in and get their check every 2 weeks and do their work, and if it is wrong it is wrong, and they won't report it.

Senator SASSER. Well, do you think the business about not rocking the boat, is that a function of feeling that the Inspector General doesn't really care, or that the hotline operation doesn't work, and that they may be endangering their jobs if they report it?

Ms. KUSEN. I think it is the retaliation people are afraid of, and the harassment.

Ms. RASOR. I think you have to understand that if there is a whistleblower who really has the goods on the Department of Defense, they will move heaven and earth to not let him or her survive intact, no matter what it takes, no matter how stubborn. They will just put enormous amounts of effort to do the whistleblower in compared to solving the problem, because they can't. Because if people began to feel that they could go in and buck the system and win and do the right thing and get away with it, then these people who are just coming in to get their paycheck might think twice about doing it.

And that is one of the reasons that the Department of Defense, I think, and the defense contractors are a little hysterical over the new false claims law, is because when you as a whistleblower file a suit, you are filing a suit as a private citizen that the Government is being defrauded. And that suit goes on whether or not the Government decides to get involved. And so it gets out of control, the damage control can't be done. The whistleblower cannot be held up because there is strong language to protect them. So people are beginning to see that that is a better alternative than ever trying to go through the investigative system.

I really don't know any whistleblower that has ever survived totally intact, except when there is enormous pressure put on the person and there is a lot of spotlighting, and as soon as the spotlight fades away that bureaucracy is waiting. Let me use Admiral Rickover's best quote. It is the best quote I have ever heard. He says, "If you must sin, sin against God, not the bureaucracy. God will forgive you but the bureaucracy never will."

And I think that is probably the number one thing that keeps people from going to hotlines and to the Inspectors General.

Senator SASSER. Well, let me ask all three on the panel—and I would like to get you to answer separately—are we wasting our time and money dealing or having these Inspector General hotlines available, or do they confer any substantial benefit in your judgment? And I will begin with you, Ms. Rasor, and see what you think.

Ms. RASOR. I think that the DOD Inspector General could probably trot up here with some, quote, success—nickle and dime success stories.

Senator SASSER. From the hotline?

Ms. RASOR. From the hotline. You know, something where they tend to go and fix it because it is not going to hurt anybody's factory or constituency and they won't have some congressman screaming down their neck, or something like that.

But I think that as the DOD IG, Inspector General hotline, and the services hotlines exist now, they are worse than useless, because you are not only wasting your money, you are giving these services and the IG a chance to window dress, to pretend that they are serious about doing something, so whenever they get into a corner of, you know, rampant fraud and waste at the Pentagon, but we have our hotlines and we have all these things put into place.

So unless you can change these fundamental problems of it being a sting operation and the fact the whistleblower is shut out throughout the investigation, and the confidentiality of the whistleblower, not even to be able to find out what happened, I think that, like I said, they are worse than useless because they give the appearance that something is being done when it is not.

Senator SASSER. What do you say, Mr. Doe? Do you agree with that or not?

Mr. DOE. Yes, I think so. I think that the IG's functions might be better served if there were some type of umbrella organization or investigative arm in the Executive Branch such as you have with GAO. I think that people might, depending on how that organization was recognized and how it served those people that tried to expose fraud and abuse, I think that you might find people more willing to go to them. But I still think you have the problem—and it seems to be endemic—is that if people do speak out the organization ultimately isolates them, and there doesn't seem to be any retreat from that.

Senator SASSER. What do you say about the worthwhile nature of hotlines, Ms. Kusen?

Ms. KUSEN. I can only speak of the Defense hotline, and to me it was useless. I don't see why it should even exist.

Ms. RASOR. I would like to bring out one more point. When I say the fact that it is window dressing, but also what is worrisome to me is it pulls in the naive, the people who really believe in their Government and really believe if I do the right thing, you know—and so they see that poster on the wall and it pulls——

Senator SASSER. Well, let's don't call them the naive, let's call them the conscientious.

Ms. **Rasor**. They are conscientious, but there are conscientious whistleblowers who are savvy and there are conscientiously whistleblowers who are naive, and unfortunately the naive ones call this hotline thinking that the system works and——

Senator **Sasser**. So they turn cynical when nothing happens?

Ms. **Rasor**. And then they turn—extremely. Those are the people that turn so cynical that they just are never willing to do it again, and usually end up getting hit the hardest too, because they haven't done the kind of protection a whistleblower has to do to try to survive.

Senator **Sasser**. Well, now that brings up another question. What suggestions would you make to the Congress to improve the mechanism for Federal employees to report evidence of waste, fraud, abuse, mismanagement, to report it anonymously or otherwise?

I mean, we have got a serious problem here. We are being told by the Inspectors General that the hotlines work. We will hear testimony this morning I think that the hotlines work. We have got a Federal Government that has got over a trillion budget.

Now, we need to try to make that work as effectively and as efficiently as possible, and certainly if you add up all of the instances of mismanagement, of waste, whether intentional or unintentional, and the evidence of fraud that occurs through this whole vast Federal establishment, the figure that you could come up with would be very, very substantial.

Now, we all have a vested interest in the legislative branch, the Executive Branch, the citizenry have a vested interest in trying to get the most effective operation we can out of the Federal Government, the Federal bureaucracy.

How do you think we could we devise a system in which Federal employees, civil servants, down where the rubber meets the road, so to speak, could get their views out in such a way that they would be protected and at the same time the abuses, if they are substantiated, could be corrected?

What do you say about that, Ms. Kusen? Have you got any ideas about that?

Ms. **Kusen**. I have thought about it and I really don't have an answer to that question.

Senator **Sasser**. Well, that is a very honest answer and I appreciate that.

How about you, Mr. Doe, do you have a suggestion?

Mr. **Doe**. Well, I think earlier I suggested that it might be worth considering an organization comparable to GAO on the executive side if it were taken out of the individual departments. But I would also like to suggest that one of the real problems you have is that when these people do come forward—and I have never considered myself a whistleblower, though I am called that, I find quite frankly, the connotative values of that term very offensive to me— but I think that one of the things that Congress might look at—and I think there is some danger in this because it might become a witch hunt—is more accountability from those who didn't enforce the laws. And rather than saying, well, how do I protect the person that did his job, or her job, why shouldn't there be some penalty on those who didn't, and who had the solemn responsibility for enforcing the will of the people and upholding the laws in the first place?

Why shouldn't that be the case? It seems to me that the emphasis is in the wrong direction. Then you wouldn't have to worry about the whistleblower or the public employee that does his or her job. If in fact people who are responsible in the first place don't carry out those responsibilities, why should they remain? It seems to me that that is the real crux of the problem. Why should they remain? Why should they continue to be recognized as public employees when in fact they are not, they serve special interest their own appetites?

Senator SASSER. Well, that is a very good question, and like Ms. Kusen, I am not sure I have not got the answer for that.

Ms. Rasor, have you got a comment on this?

Ms. RASOR. I have a comment. My solutions are hard. I mean, it is the kind of things that are hard to do in Washington. Number one, I think that you if you try to legislate something probably the interpretation of your law will go the same ways as the land recollection law, it will be interpreted by the bureaucracy to suit themselves. You know, people have been diddling with the whistleblower protection language for years. And so I think what has to be done is if the Congress wants to do it, they have got to do it through oversight, and put the fear of God in some of these managers, like he was saying.

You have got to have an attitude in the Executive Branch and in the Congress—and if the Executive Branch won't come along, the Congress has got to lead them—into letting the whistleblower win. I mean really win, not win in the sense that he has been reassigned and the problem has been solved and you get this little refund from the company. No, the person in the Federal Government who was in charge of doing this waste mismanagement and fraud is fired, and if necessary, charges are brought up upon the company that it is defrauding the Government, or whoever is defrauding the company, somebody goes to jail or they have a large fine. And meanwhile, the whistleblower remains intact. Even though the bureaucracy may try to shut them out, you insist that the whistleblower remain where they are, or promote them to a higher position, maybe somewhere else in the Government.

The other thing is, we have always said in the military, if you would just let the Army investigate the Navy and the Navy investigate the Air Force, you would have a very a perfect world, because the fact is bureaucracies don't want to investigate themselves.

But I really think that until you start showing the Federal employees that people will get fired, people will go to jail, Congress will do oversight, Congress will withhold money. That is another very powerful thing. If the bureaucracy doesn't want to solve the problem, you fence the money until it does. You have a lot of power of the purse that the Executive Branch can't really overcome. And, you know, you finally get to the point, you know, if the kid keeps abusing the car you finally take the keys away from the kid until the kid learns not to abuse the car. And that is kind of the give and take I think has to be done.

One final thing is that I think—it is being tested in the courts now whether it will be allowed—but I think it would be very good for the Congress to pass a law allowing Federal workers the option of filing a false claims suit if they are unable to get their bureaucracy to do any kind of investigating, filing a false claims suit which removes it out of the thing, gives the Federal worker protection, and a potential reward. Because right now there is no reward in doing, there really isn't, except the satisfaction you know you did the right thing. But tell that to your wife and kids when you lose your job.

Senator SASSER. Do you want to amplify on that, Ms. Kusen?

Ms. KUSEN. Yes, I do. My silent whistleblowing partner, Mr. Stanley Wass, filed a false claims suit after he retired against Elliott Company. The Justice Department had it under seal for 60 days. They extended the seal for another 30 days. And he finally got a letter stating that he could go ahead with the suit, the Justice Department would not enter into it, but if he collected any profit from the suit it would go back to the Government because it was his fiduciary responsibility to report this stuff, and we reported it for 4 years.

Ms. RASOR. That's an interpretation of the Congressional law. All you need to do is go talk to Senator Grassley and he will tell you that was not the intent of this law.

Senator SASSER. Right. In other words, the Department of Justice is saying that if your retired colleague wants to retain an attorney and file the lawsuit, that that is fine, but if he receives any benefits from his effort and expenditure of funds for the attorney, that he has to turn the benefits back over to the Treasury?

Ms. KUSEN. Right.

Ms. RASOR. That is an interpretation, it is not what the act was meant——

Ms. KUSEN. And right now there is no reward for being a Federal employee whistleblower. There are three public laws that protect contractor employee whistleblowers, but no reward for the Federal employee whistleblower. Back in Pittsburgh in July of 1986 I turned in a contractor for fraud. I turned it in to our legal office. An investigation progressed, and in August of this year the Government recovered $3.3 million as a result of my report. All I got, two sentences on E-mail, "Nancy, you did a good job, keep up the good work." $3.3 million and I received no reward. Not that I am looking for one, but it would be nice.

You know, if someone would find your wallet on the street and give it to you, you would give them a reward, and I think that is what Federal employees deserve.

Senator SASSER. Yes. Well, I think that is a good note on which to end this panel. We have been at it here for almost an hour and 20 minutes and we have got other witnesses behind us. But thank you very much to all three of you for appearing here this morning and giving us the benefit of your views. It has been very helpful and very educational. Thank you.

Let's move now to Mr. Bob Edgell, representing the American Federation of Government Employees. Mr. Edgell, as I understand it, has some data which his organization has developed through a poll of their employees.

Mr. Edgell, welcome this morning, and would you be as brief as you can and still get your point across this morning. I spent too much time talking to our first panel. It was very interesting and very informative. So you may proceed, please.

TESTIMONY OF ROBERT EDGELL, AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES

Mr. Edgell. Thank you, Mr. Chairman, and I will be brief.

I would like to express our appreciation, particularly from our national president, John Sturdivant of the American Federation of Government Employees,[1] for this opportunity to appear before the Committee.

As I review the results of a survey that we conducted relative to this subject of Inspector General hotlines, I think you will see a confirmation of both the activities and the opinions expressed by the first 3 panel members. And as I sat listening I found myself nodding my head, yes, that is how Federal employees feel about protections in hotline reporting, about retribution to them, about knowing that the bureaucracy will not forgive. And we did find that in our survey.

So let me quickly tell you what we did and the results. We sent out a survey with six relatively direct and simple questions to members of our union throughout the country. Four questions were knowledge oriented, that is, centering on awareness of the hotline, knowledge of the hotline number, how to find the number, and whether the number was posted in the work area. The final two questions related to employee attitudes, if they chose to report a fraud item, and the reason for not choosing to use the hotline in reporting a fraud item.

Our survey went out to all of our 15 districts in the American Federation of Government Employees, and it covered almost all of the executive agencies and departments. Nearly 600 surveys were returned.

Our first four questions, as I said before, were concerning awareness of the hotline. The first question was, are you aware of the hotline? Almost half of our respondents—47 percent—didn't even know there was a hotline.

Second, we asked them, do you know the number? Eighty-seven percent of the respondents replied no.

The third question was, do you know where to get the number? Sixty-two percent replied no.

Reinforcing these awareness responses we asked—I mean, the reply reinforced—is the hotline number posted in your work area? Only 22 percent of the respondents replied yes.

From this pattern of responses it appears that almost half of the employees are not generally aware of the hotline and it is also apparent that the vast majority are not inclined to memorize or to know where to find the number.

These statistics indicate that the agency publicity concerning the hotline number has not been effective.

Now, moving to our survey towards the employees' acceptance of hotline use, the final two questions concerned attitudes toward use of the hotline. The first of these questions provided the respondent with six choices as to who they would contact if they chose to report an abuse. The choices were "don't know," "supervisor," "fraud hotline," "union," "Member of Congress," and finally, "other."

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[1] See p. 60 for Mr. Sturdivant's prepared statement.

The leading categories for reporting were the fraud hotline, 31 percent, the union 29 percent——

Senator SASSER. That's the General Accounting Office fraud hotline?

Mr. EDGELL. Yes, sir, or the agencies. So it could be either.

The union was 29 percent. "Don't know," that is, had not made a choice or didn't want to make a choice, 19 percent. Their supervisor, 11 percent, a member of Congress, 9 percent.

Now, we realize that this survey was from AFGE members, but it is interesting that the most likely avenue of reporting was about equal between the hotline and the union. And I think we find here some overtones of confidentiality were probably involved.

Now, the last question asked respondents why they did not choose the hotline to report an abuse. And in reply to this question, 20 percent marked "confidentiality would not be maintained," 27 percent indicated "fear of retribution," and 27 percent marked "would not do any good."

Senator SASSER. What percent said it wouldn't do any good?

Mr. EDGELL. Twenty-seven. By selecting these responses, 74 percent of those surveyed indicated an anticipated negative outcome, direct or indirect, as a result of using the hotline. For the remainder, 19 percent selected "other" and 7 percent said it is just too much trouble.

It is clear from these replies that our respondents' perception of the hotline is not positive.

Now, Mr. Chairman, I won't try to tell you that we are a polling agency or that our survey was conducted in a scientific polling manner. But at the same time, the survey does represent an interesting crosscut of awareness and attitudes toward the hotline. From the results it becomes apparent that the hotline program has a diminished acceptance level concerning confidentiality and potential for retribution. It is also apparent that agency publicity of the hotline has not been effective.

These survey results have reinforced our view that the waste, fraud and abuse hotline is not fulfilling the expectations of Federal employees. We continue to share the Committee's concern that the hotline program needs better management, enhanced training of personnel, and greatly bolstered protections for individual employees who report suspected cases of waste, fraud and abuse.

Thank you very much for this opportunity to appear before you Mr. Chairman.

Senator SASSER. Well, thank you very much, Mr. Edgell. I think your testimony this morning is self-explanatory, and the most revealing part of it is that something like 82 percent of your membership have no confidence in the hotline.

Mr. EDGELL. Yes, sir.

Senator SASSER. Thank you very much. We will include in the record the statement of Mr. Sturdivant from the American Federation of Government Employees.

Our next witness will be the General Accounting Office, Mr. Brian Crowley, the Director of Planning and Reporting from the General Accounting Office. And as I understand it, he is accompanied by Mr. John J. Adair and Mr. Rex Simmons, also of GAO.

Mr. Crowley, welcome, and you may proceed, and we would ask you if possible to summarize your testimony as much as possible and still make your point here this morning.

TESTIMONY OF BRIAN P. CROWLEY, DIRECTOR OF PLANNING AND REPORTING, ACCOUNTING AND FINANCIAL MANAGEMENT DIVISION,[1] ACCOMPANIED BY JOHN J. ADAIR AND REX SIMMONS, GENERAL ACCOUNTING OFFICE

Mr. Crowley. Thank you, Mr. Chairman. I apologize in advance, I have a little bronchitis going for me, so I may be coughing a little.

I will summarize the statement somewhat, Mr. Chairman, but it is a short statement, so let me go through it and skip around here.

We appreciate the opportunity to be here today to discuss our report. The report is issued today, by the way, in response to your request that we obtain information on hotline operations, particularly with regard to the accessibility, advertising, and staffing of those operations.

We also obtained some information on the possibility of creating a central hotline for reporting all Federal fraud, waste and abuse. Based on our work, we prepared the report you have today which makes recommendations to the President's Council on Integrity and Efficiency (ACIF), whose membership includes the agencies we reviewed, to better promote the hotlines and to make them more accessible to potential users.

In conducting our work we looked at 25 fraud hotlines. These are the 24 statutorily appointed IGs, plus the Office of Special Counsel.

Senator Sasser. You say 24 specially appointed IGs?

Mr. Crowley. Twenty-four presidentially appointed IGs, and the Office of Special Counsel.

In short, we found that the fraud hotlines were generally operating well in terms of accessibility, advertising and staffing. All of the 25 hotlines that we tested for accessibility were answered and identified as the location to report the allegations of fraud in the agency. Twenty-two of the 25 are accessible to callers 24 hours a day. They generally rely on assigned hotline staff during business hours and use recorded messages during non-business hours and when the staff are unavailable during business hours.

Three of the hotlines operate only during agency business hours and did not have an after-hours recorded message, as of the time of our review.

We found, for the most part, that the hotlines are staffed by personnel experience in hotline operations as well as in conducting audits and investigations. They received formal training in investigative, audit and program areas to supplement their on the job experience. In addition, as a result of a 1987 PCIE study, which recommend better training for the hotline staff, a group of hotline officials designed a course which has been given to more than half of the hotline staff today.

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[1] See p. 67 for Mr. Crowley's prepared statement.

Each of the IGs advertises its hotlines to the audiences it believes are most likely to provide substantive allegations, and we found that they could probably do a better job in that regard. Currently they target Federal employees or the employees of contractor organizations, and some, like the Department of Agriculture and the Department of Health and Human Services also target beneficiaries.

The targeted population has proved to be an excellent source of allegations which have been later substantiated. We found some areas where they could be better promoted, as I said before. We reviewed the local telephone directories in eight major U.S. cities and found that fraud hotlines were listed for only two of the agencies in one city, so we think they could do a better job there.

Also, we believe that further efforts could be made to advertise the hotlines to particular audiences, such as Government contractor employees. We found, for example, that although some agencies did a pretty good job of that, others did not, like the Department of Energy, and the General Services Administration.

In addition, we found that some agencies do not currently have toll-free 800 numbers available for calls outside the Washington, D.C., area. For example, HUD did not have one. We think that this agency in particular might benefit from an 800 number.

Finally, our test calls to the agencies' general information operators indicated that the operators at 6 of the 25 agencies tested couldn't provide us the correct hotline number. These agencies could better assist callers, obviously, if they were able to give them the right number to call.

The last item that you asked us to look at was whether there should be a central hotline. And in this case we looked at three different configurations. One is to disband the existing hotlines to form a central hotline. The second configuration was to combine existing hotlines along functional lines, such as procurement and contractor fraud. And the third was to create a centralized computer assisted switchboard to direct calls to individual agencies. The biggest drawback that came to our attention during this was that the alternative of disbanding existing hotlines to form a centralized hotline was in obtaining staff, particularly knowledgeable staff, that would know about all the programs and be able to screen the calls properly.

With regard to combining the hotlines along functional lines, the IGs with whom we talked liked the way the hotlines were working now, so if there was a functional hotline established, they would probably set up another one to serve their own purposes. So you might have a confusion and you might have duplication of that service.

The third alternative involved establishing a computer assisted central switchboard to direct incoming calls from a single toll-free number to individual agency fraud hotlines. That seemed to be the easiest alternative to implement because it would involve less disruption with existing hotline operations. However, when we talked to the IGs about that, they voiced concerns that a general operator with little program knowledge may not be able to determine the agency to which the call should be forwarded.

We believe, and hotline officials and IGs with whom we spoke concur, that it is not clearly evident that a centralized hotline system would improve, necessarily, the effectiveness of operations of the existing system of fraud hotlines.

Now, we think, quite frankly, that hotlines can be useful tools for receiving allegations of fraud, waste, abuse and mismanagement, and I think you will hear more on that later from some of the following witnesses.

While, as I said before, we thought that the hotlines generally worked well, that didn't mean that there wasn't room for improvement, and we did make in our report four specific recommendations.

One is to better advertise the numbers in the Government sections of local phone directories nationwide. The second one was to ensure that agencies' general information operators are able to provide the numbers to interested parties that call into them. The third was to consider toll-free hotline numbers where not already used. And I think we had six agencies where they do not have one at this time. We think that at least three of them should have the toll-free hotline numbers. And, we recommend expanding advertising in the contractor community, particularly in, as I mentioned before, agencies such as the General Services Administration and the Department of Energy.

The vice chair of the PCIE agreed with the results and our recommendations in our report and told us that the PCIE will be evaluating ways in which to implement the recommendations.

Mr. Chairman, that completes my prepared statement. You have our report, which I would suggest that you might want to put in the record.[1]

Senator SASSER. Well, thank you very much, Mr. Crowley. Your entire statement will be included in the record.

There are a number of things that come to mind. First, did you speak to these Inspectors General personally in undertaking this investigation?

Mr. CROWLEY. Did I personally?

Senator SASSER. Yes.

Mr. CROWLEY. No, I did not personally. Some of the people with me at the table did, however.

Senator SASSER. All right. Let me address the question to them. How many Inspectors General were spoken to personally and how detailed were these interviews.

Mr. SIMMONS. Mr. Chairman, we spoke with six of the Inspectors General, and we spoke with the hotline staffs of all 25 of the hotlines we evaluated. The six Inspectors General were at HHS, Interior, the State Department, Energy, Defense and NASA. And we spoke with them at length about different alternatives for advertising the hotlines, for staffing them, and the possibilities of having a central hotline to replace the ones that they have now.

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[1] See p. 95.

Senator SASSER. All right. Well, Mr. Crowley, let me ask you this question. You have heard the testimony here of these three Government employees and their view of the effectiveness of hotlines. And you heard the testimony of the representative from the American Federation of Government Employees, who indicate that some 78 percent—if memory serves me correctly—of their employees that responded by mail to their poll—and admittedly this is not a scientific poll, but it gives you some idea of how the hotlines are viewed down at the grassroots level in the bureaucracy—but 78 percent of them had felt that by contacting a hotline there would be a negative result, by way of no investigation, or retribution to the employee who called, et cetera.

Now, how do we rationalize that with your report here that indicates that the hotlines are serving their function and operating effectively?

Mr. CROWLEY. Mr. Chairman, my study was of 25 different hotlines. There are a whole lot of hotlines out there, but the main thing is that the DOD Hotline was included in our study. It is very difficult to reconcile our work with theirs, number one, because I didn't get to see the AFGE study until just a few moments ago, so I can't really comment much on that score.

With regard to the other problems that people brought out, you are probably always going to have complaints about hotlines, or any operation, when you get as many calls as a lot of these hotlines do. I go back to the experience at GAO. In 8 years we had 94,000 individual allegations, only 14,000 of those resulted in further work and further follow-up.

Senator SASSER. Did you say 94,000?

Mr. CROWLEY. I believe that is the number, Mr. Chairman.

Senator SASSER. Now, your hotline is open to the public, and these Inspectors General hotlines are confined to the bureaucracy themselves, are they not?

Mr. CROWLEY. No, I don't believe they are, sir. They are available to anyone. The hotlines at USDA are available to anyone who will call in. The hotlines at HHS are even promoted—both of those are promoted to beneficiaries of either agricultural programs or beneficiaries of HHS programs.

They are available to the public. What we were saying is that they ought to be advertised to the public better, at least by having the numbers listed in local phone directories.

Senator SASSER. Well, I think you have to make a distinction between being available to the public or they will respond to a public call. In other words, if you can't find the telephone number, or there is no effort made to advertise the number, then it is effectively not available. Now, with the General Accounting Office hotline there is periodically a public relations campaign, as you know, to alert the general population that the General Accounting Office is indeed running a hotline.

And I think that has had something to do with the effectiveness of the GAO hotline, that and also I think the fact that GAO has no vested interest in the outcome of these complaints, simply calls them as they see them. But I would have to take issue with you that simply because someone may be able to call the hotline, if they don't have the number, they would have a pretty tough time calling it.

Mr. CROWLEY. We think the numbers should be available to them. The responsibility of investigating a lot of these complaints really and truly rests with the IGs. That is why we really set them up. We gave them a great deal of independence legislatively. As a Government we have taken great pains to ensure that they are in place and that they have the legislative basis to properly criticize programs and point out fraud, waste, and abuse in their agencies.

They are the people that really should be out there investigating these things, and it is up to them to make sure that their numbers are available to people.

Senator SASSER. Well, let me ask you this question. Do you think the public should have access to these hotline numbers of the Inspectors General just as they have broader access to the number of the General Accounting Office hotline?

Mr. CROWLEY. Sure. That is why we suggested that the numbers be in the phone directories. And we also think that in case of contractor employees, who have been a good source of allegations in the past, that we ought to actively promote the numbers with them, and that is why we have made the recommendations that we did here today.

Senator SASSER. Now, in undertaking its investigation here—and the Subcommittee set the ground rules or the parameters of the investigation—did the General Accounting Office contact grassroots employees, or were you simply concerned with talking to the Inspectors General and those who operate the hotlines themselves?

Mr. SIMMONS. Mr. Chairman, it was the latter. We talked with the Inspectors General and the hotline employees themselves. It wasn't within the scope of our work to touch base with agency employees and do any sort of survey of them.

Senator SASSER. So your investigation was not broad enough then to actually get into the bureaucracy itself and talk to individual civil servants to ascertain their view of the hotline, and as to its effectiveness and as to its availability?

Mr. SIMMONS. That is correct.

Senator SASSER. Well, I think perhaps the Subcommittee itself may have made your study or your investigation a little too narrow, because obviously the Inspectors General and those who operate the hotlines would have a vested interest in indicating to you that the hotline was operating effectively and operating in the manner in which it had been commissioned by legislation and by the various administrators.

Mr. CROWLEY. Well, Mr. Chairman, what you asked us to do is determine accessibility, training of the people that were operating the hotlines, and to find out what kind of advertising they did. And that is precisely what we did. It was not part of our charge to go out and talk to individual employees. I am not sure how we would structure such a review, but we would be happy to talk with your staff about that.

Senator SASSER. That would be interesting to discuss that and see if there would be a way in which we could structure such a review that would be effective and fair to all concerned.

Mr. CROWLEY. That is right, Mr. Chairman. One of the problems in structuring such a review, as you well know, would be to determine what is an acceptable level of awareness. I don't know whether having 53 percent of the employees know about a hotline is good or bad. It sounds to me that you could look at it and say that it is good. You are getting 31 percent of employees, if I am recalling AFGE's numbers correctly, saying they would go first to a hotline with a complaint. I don't know whether we would agree that that is a good number or not.

So there is a problem in determining what is a good number and so I think we do need to talk with you and your staff before we undertake that kind of a job.

Senator SASSER. Right. Well, gentlemen, thank you very much for your appearance here this morning, and we appreciate your testimony.

Our last witness today will be Mr. William Diefenderfer, representing the Office of Management and Budget, and also Mr. Diefenderfer, in addition to his other duties, is Chairman of the President's Council on Integrity and Efficiency.

Mr. Diefenderfer, as usual we always are eager to hear your views and observations, but this morning I need to get to a meeting by as close to 12:00 o'clock or a little thereafter as I can. So I hate to try to condense your testimony, but I would ask you to condense it as much as possible.

TESTIMONY OF WILLIAM M. DIEFENDERFER III, DEPUTY DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, CHAIRMAN, PRESIDENT'S COUNCIL ON INTEGRITY AND EFFICIENCY

Mr. DIEFENDERFER. Thank you very much, sir. I appreciate the opportunity to be here. I was invited as the Chairman of the President's Council on Integrity and Efficiency, one of the surprises I found awaiting for me after I accepted the job. I didn't know I would have this responsibility.

My testimony is some nine pages long. I will summarize in two paragraphs and ask that the balance be entered into the record.[1]

Once again, thank you for inviting me to appear before the Committee to present testimony concerning the operations of the President's Council on Integrity and Efficiency, often called the PCIE. My comments generally reflect the views of the IG members of the President's Council on Integrity and Efficiency. We called around to talk to them. I only operate as their chairman, not as their director.

Your letter of invitation requested that I appear today in my capacity as Chairman of the President's Council and I am doing so. I have asked to accompany me for any detailed questions Mr. Richards, who is the IG at the Department of the Interior, who has extensive experience with hotlines.

I would like to say that in your opening statement you indicated over the past 8 years there has been a distinct problem with scandals. I wish it were so. It is literally over the last 200 years. I had the privilege to testify in front of the Banking Committee about a month ago on the HUD problems, and asked OMB staff to prepare for me a history of scandals throughout the Government from the first years up until the present years, and it was quite extensive all over the 200 years.

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[1] See p. 76.

I have had some experience as a whistleblower myself in the past, so I share and have sympathy with those who undertake that type of activity and fear either lack of attention to their concerns, or worse, retribution, for what they do. I would further say that I think Ms. Kusen had a very helpful suggestion in that Congressional oversight in these particular areas would be very constructive. I know I served as the chief counsel of two committees in the Senate over a number of years and it was often very difficult to encourage the committees to go forward with oversight, and I don't mean that to be a partisan statement in any way, shape or form.

I will close by saying that perhaps what we need, if you take the anecdotal evidence that you have gathered here today in terms of mistrust, I think is much more than attention to the issue of hotlines. It sounds like what people are saying is that they mistrust the IGs. And the hotlines are a small part of what the IGs do, as you will see by reviewing the GAO reports. I think maybe 3 percent of IG activity comes from the hotline actions.

And if that is the case, you have got a very fundamental problem. Perhaps what we need is a Congressional hotline. Move it up here, if the folks trust you to follow through with it and be the bird dogs on these things, maybe the 800 number ought to stop right here. It is just a suggestion, it is not an Administration position. As I sat back there listening, and I must say, it was only anecdotal evidence, yet I heard specific condemnations of the DOD Hotline, and perhaps they were warranted, perhaps they weren't, I don't know, I have not studied it.

I heard no condemnations of any other hotline. I heard the gentleman from Interior say he wouldn't even talk to the IG, but that wasn't a condemnation of the hotline, it was a condemnation of the IG and the process.

I will stop there and be glad to address any questions that you may have for me.

Senator **Sasser**. Well, thank you, Mr. Diefenderfer. You are in a rather unique position, because you have seen it from the side of Congressional oversight, and now you see it from the side of the Office of Management and Budget. And it is interesting that you would still come down on the side of expanded Congressional oversight.

It has been my—I won't say my view—but I have heard many allegations that Congressional oversight lends itself too much to grandstanding, too much to witch hunts, that it has a demoralizing impact on the Civil Service and on the bureaucracy generally.

How do you match that off or balance that off against your suggestion for more Congressional oversight, and also the suggestion of some of our panelists here, the whistleblowers themselves, for more Congressional oversight?

Mr. **Diefenderfer**. Well, quite frankly, you can do oversight improperly too. If you make it as a witch hunt, then it is not good oversight. What Congress tends to do, in my experience, is they tend to oversee the chicken coop after the fox has taken the chickens, because that is the sexy part of it, exposing the scandal.

Sitting down and doing day to day oversight, reviewing the IGs' semiannual reports for areas of weakness within the various departments, reviewing the Financial Managers Integrity Reports that come out once a year line by line, that is hard, hard work, and it is very difficult to get people to spend long, long hours slogging through that, but I think the pay off would be very big.

In terms of demoralizing the bureaucracy, what was said here today is the most demoralizing thing I have ever heard. Essentially the bureaucracy—and to hear the people who represent the Federal workers chime in on it—I was just stunned that they are afraid to bring their problems to their fellow workers. This is an absolute condemnation of the bureaucracy. I don't happen to believe that it is anywhere near as bad as it has been alleged, but that is to me very demoralizing to hear the union say, to hear the fellow workers say that, they can't trust their supervisors, they can't trust their co-workers, that the bureaucracy will get you.

That may well be so. I don't happen to think it is that bad, but even if it were so, we all get paid to do our jobs. I don't think it takes an extra reward or whatever. You just stand up and do what you are supposed to, and if there are retributions attempted, then it is up to people like you or myself or others to make sure that these people aren't harmed.

From our position at the Office of Management and Budget—this is not as head of PCIE now—the way I look at it is this, we have got 400 or 500 people at OMB to help ensure that the Government is managed efficiently. I brought in every one of the IGs to sit with me personally for an hour or 2, and asked them: what are your problems, are you being listened to, are there things that you are putting forward that we should attend to over here because your Secretary or your Deputy is not paying attention to them?

The director brought in the deputies and said, you listen to your IGs, you involve them in the process. We are not doing this just to be part of the process in a sort of role manner. What I want to convince the deputies, my equals in Government, executive level 2s, so to speak, is if they don't pay attention to their IG, they know the IG has a friend at OMB, and we will blow the whistle on them if they aren't doing it.

Now, Congress, through oversight, can do the same thing. Together we can keep the pressure on these people, whether they are political appointees or civil servants. If they know they are likely to be caught, there are enough checks and balances, then I think they will act in a truer fashion.

So I am a strong supporter of Congressional oversight. I have severe doubts, with my own past experience, whether we could get individual Senators and Congressmen interested enough to do extensive oversight, however.

Senator SASSER. Well, I suppose my reaction to that, Mr. Diefenderfer would be this, that to do the kind of extensive overnight that you are advocating there would involve, it appears to me, a fairly substantial expansion of staff at the Congressional level to do that.

Now, from my experience on the Appropriations Committee, we have attempted to do some oversight there on some subcommittees on which I serve. But we find that each of these subcommittees usually has one clerk for the Majority and one for the Minority. And when they are handling very large appropriations bills, they tend, to some extent, whether they like it or not, to become, to a certain extent, captives of what the bureaucracy tells them in reacting to requests for appropriations, et cetera.

So I am wondering if the public would permit—first, do you think I am accurate in my view that you have to expand staff here at the legislative level to perform this kind of oversight? I suppose that is the first question I would ask you to answer.

Mr. **Diefenderfer**. Well, I won't say in a blanket sense, yes. I am not as familiar with the Appropriations Committee as, say, the Commerce Committee, of which I was chief counsel, where we had a $3 million budget and maybe 50 or 60 employees. We had adequate staff to do oversight, more than adequate. I might give you a comparison. I was just in front of the Banking Committee in the Senate, and at OMB we have five examiners who handle the HUD account, five. On the Congressional staff, they had seven on the Senate side and nine on the House side, at subcommittee level, who handled HUD.

I think in that instance there are enough. Now, on the appropriations side, I am not sure. But let's just assume you are right, that there are not enough staff, sure, you should have more to do the job, if that is what it takes. As you said yourself during this hearing, there are billions of dollars at stake. And more importantly, there is the integrity of Government and whether or not the individual taxpayer trusts his Government.

One of the reasons why I think we find it very difficult—and I use "we" collectively, not me personally or the Administration—to go to the public and convince them maybe the taxes should be raised is they don't think we are spending the taxes we receive already in a proper way, we are not good stewards. So I think that would be money well, spent, if staff is the only impediment to get this type of activity.

Senator **Sasser**. Well, perhaps staff isn't the only impediment, but I think to carry out the kind of day-to-day oversight that would be effective, my judgment is you would probably have to expand staff and develop specialists here in the legislative branch on almost a career basis who would be in a position to carry out the oversight that is effective, and I suspect there would be more criticism of the legislative branch than there is now for being overly staffed and fat with staff. But perhaps that is one of the problems that it is inherent in Government.

I was disturbed, as you were, to hear that these employees don't trust their supervisors. The employees don't trust the bureaucracy. And I think one of the problems that we have had over a number of years now is that no one has said a good word for civil servants, no one has a good word for the bureaucracy.

The American people and the leadership seem to expect the worst of those who serve in Government. If they expect the worst, that is precisely what they are going to get. And I think one of the problems we have down in the bowels of the bureaucracy, for a better word, is simply supervisors trying to take care of themselves to keep their file fully papered, to cover themselves, and you have this protective reaction all up and down the line, rather than perhaps a return to the old days—and maybe those days were a long, long time ago—when people took a pride in serving in Government, and people looked to public servants, and particularly professional civil servants, as those who could be trusted to help them with their problems and effectively carry out the policies of the various administrations.

Maybe we can return to a time in which we will give the civil servants, those who try to do a good job, the credit to which they are due.

On that note, why don't we suspend today, and I declare these hearings recessed, and I thank all of the witnesses for their attendance and testimony.

[Whereupon, at 12:00 noon the Subcommittee adjourned, subject to the call of the Chair.]

APPENDIX

My name is Nancy Kusen. I am a Federal employee with sixteen years service and am currently an Administrative Contracting Officer with the Defense Logistics Agency (DLA), Defense Contract Administration Services Management Area (DCASMA), Pittsburgh, Pennsylvania. I am also an unsuccessful, extremely frustrated whistleblower with the Department of Defense (DOD) Hotline and have gone public with allegations concerning a Western Pennsylvania defense contractor.

I want to thank the Subcommittee for the invitation to speak at the hearing regarding my experiences with the DOD Hotline. My experiences left me convinced that the Hotline does not work and that Hotline reform is necessary. I am eager to see Hotline reform happen to encourage other potential whistleblowers.

The DLA manual states, in part, that 'DLA representatives have the inherent responsibility during the normal performance of their duties to assure that proper authorities are immediately notified of any known price disparity which is contrary to the best interest of the U. S. Government.' With that in mind and, being concerned taxpayers, a co-worker, Mr. Stanley Wass, and I began a three and one-half year unsuccessful attempt to report and correct suspected fraud, waste, abuse and mismanagement on Defense contracts with Elliott Company, then a wholly-owned subsidiary of United Technologies Corporation.

From November 1984 through November 1985, one entire year, we reported the suspected contract irregularities to internal DCASMA management. The managers had the authority to correct the irregularities but were also responsible for them. As a result, no corrective action of any kind was ever taken.

In November 1985, we reported the suspected irregularities and, furnished supporting documentation, to the new Pittsburgh office of the Defense Criminal Investigative Service (DCIS). After six months, a discussion with the DCIS special agent left me convinced that a proper investigation was not being conducted when he told me he had not visited the Elliott facility to verify our allegations.

At that point, we decided to report the matter to the DOD Hotline. Mr. Wass became a SILENT whistleblowing partner because he did not want to jeopardize his future retirement benefits.

From June 1986 through March 1987, we sent twenty-six letters to the Hotline. Twenty-four letters had supporting documentation attached that included audit reports, progress payment requests, Government/contractor correspondence and contract copies. The allegations included fraud, collusion, overcharging, duplicate charging and defective/substandard workmanship. A recoverable estimate of $6-7 million was provided to the Hotline upon the advice of Hotline personnel.

The Hotline accepted our case but referred it directly back to the same DCIS office and special agent for investigation that we had reported the matter to in November 1985. The Hotline informed me one year later that our case was found "not substantiated" and closed. I called The Pittsburgh Press and went public.

Under the Freedom of Information Act (FOIA), I requested from the Hotline a copy of any and all information developed relative to our case. The Hotline distributed my FOIA request to various Government agencies to determine document releasability. As a result, Headquarters, Defense Contract Audit Agency (DCAA), released a copy of my FOIA request to United Technologies Corporation containing my name, position, home address, home and work telephone numbers and Hotline case file number.

Maintaining my confidentiality within Government channels was not important to me because my whistleblowing efforts against Elliott were common knowledge. However, I NEVER expected United Technologies to be told. I felt betrayed and endangered by the Hotline.

I eventually received a copy of the investigative file. It contained obliterated DCIS Reports of Investigative Activity (see attached), the illegible scrawl of the DCIS special agent and all our correspondence to the Hotline.

The final report contained errors of fact and referred to interviews of both current and former employees of Elliott. The investigative file released to me contained no indication of interviews with Elliott employees. The Pittsburgh Press reported that Elliott executives expressed surprise when interviewed about my complaints.

Coincidentally, when the articles began appearing in The Pittsburgh Press, Elliott presented revised departmental hourly and burden rates to DCAA for review. Five department rates decreased and two increased. One department rate alone decreased 243%, from 699% to 456%.

In February 1989, I wrote to Rear Admiral M. E. Chang, Office of the Naval Inspector General, Washington Navy Yard, and respectfully requested that the U. S. Navy investigate the allegations and documentation I provided to Federal investigators. In April, the Rear Admiral responded with what I refer to as the "Kusen give up already!" letter. It stated "in the absence of new evidence supporting these allegations, I consider this matter closed." After four years and five months, I gave up.

The U. S. Navy Price Fighter Detachment did not. The Detachment conducted an independent "should cost" analysis on an Elliott delivery order for twenty-six rotor assemblies. The Detachment's review revealed "significant discrepancies between the amounts charged the Government for the items and the amount that the items should have cost." The price charged was $6,613.49 each, or $171,950.74. The "should cost" analysis indicated the price should have been $1,485.89 each, or $38,633.14. A total of $133,317.60 overcharging on just one delivery order!

The delivery order reviewed by the Price Fighter Detachment was issued against Contract N00104-85-G-0446. I reported four other delivery orders against that contract to the Hotline for suspected overpricing. The investigative file did not mention one.

My whistleblowing activities left me with memories of:

a. Repeated petty harassment by DCASMA, Pittsburgh military/civilian managers.

b. Two lowered performance appraisals.

c. One promotion denial.

d. Four grievances.

e. One arbitration.

f. An on-site investigation by the Office of the Special Counsel (OSC), Merit Systems Protection Board, for reprisal action taken against a known whistleblower. OSC 'targeted' four DCASMA, Pittsburgh military/civilian managers for reprisal action.

g. An appeal of the arbitration decision to the Office of Review and Appeals, Equal Employment Opportunity Commission.

h. Seeking help from Congresspersons Patricia Schroeder and William Coyne.

i. Going public with investigative reporter Jerry Uhrhammer and The Pittsburgh Press.

My quality of life at DCASMA, Pittsburgh has improved since my whistleblowing days. The four OSC 'targets' have gone. I was promoted to administrative contracting officer and have received a monetary sustained superior performance award.

I am also Elliott Company's new contracting officer.

DEPARTMENT OF DEFENSE INSPECTOR GENERAL
OFFICE OF ASSISTANT INSPECTOR GENERAL FOR INVESTIGATIONS
DEFENSE CRIMINAL INVESTIGATIVE SERVICE
PHILADELPHIA FIELD OFFICE
160 EAST 7TH STREET
CHESTER, PENNSYLVANIA 19013

DCIS REPORT OF INVESTIGATIVE ACTIVITY

CONTROL : 8613009D-21-AUG-86-15PB-E4W DATE : FEB 27 1987

TITLE : UNITED TECHNOLOGIES CORPORATION
ELLIOTT COMPANY
Jeannette, PA

REPORT BY : [redacted] Special Agent
Phone (412) 644-2931

MADE AT : Pittsburgh, PA

STATUS : N/A

PURPOSE : Interview of [redacted]

SYNOPSIS :

[redacted] was interviewed and provided that [redacted]

DETAILS :

1. This investigation focused on allegations that ELLIOTT COMPANY (ELLIOTT), Jeannette, PA, a wholly owned subsidiary at UNITED TECHNOLOGIES CORPORATION, provided false information for a U.S. Navy contract price proposal and that ELLIOTT had experienced quality related problems with items they have repaired for the U.S. Navy. [redacted]

2. On February 9, 1987, [redacted] was interviewed [redacted] provided essentially the following information.

3. [redacted]

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CCN: 8613009D-21-AUG-86-15PB-E4W DATE: FEB 27 1987

[redacted]

4. [redacted]

5. [redacted]

6. [redacted]

7. [redacted]

8. [redacted]

9. [redacted]

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[redacted]

10. [redacted]

11. [redacted]

12. [redacted]

13. [redacted]

14. [redacted]

15. [redacted]

CCN: 8613009D-21-AUG-86-15PB-E4W DATE: FEB 27 1987

[redacted]

16. [redacted]

17. [redacted]

APP [redacted]

CCN: 8613009D-21-AUG-86-15PB-E4W DATE: FEB 27 1987

[redacted]

4. [redacted]

5. [redacted]

6. [redacted]

7. [redacted]

8. [redacted]

9. [redacted]

CCN: 8613009D-21-AUG-86-15PB-E4W

DATE: FEB 27 1987

[redacted]

10. [redacted]

11. [redacted]

12. [redacted]

13. [redacted]

14. [redacted]

15. [redacted]

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[redacted]

16. [redacted] not provide any further information deemed pertinent to this investigation.

APPR: [redacted]

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DEPARTMENT OF DEFENSE INSPECTOR GENERAL
OFFICE OF ASSISTANT INSPECTOR GENERAL FOR INVESTIGATIONS
DEFENSE CRIMINAL INVESTIGATIVE SERVICE
PHILADELPHIA FIELD OFFICE
160 EAST 7TH STREET
CHESTER, PENNSYLVANIA 19013

DCIS REPORT OF INVESTIGATIVE ACTIVITY

CONTROL : 8613009D-21-AUG-86-15PB-E4W DATE : FEB 27 1987

TITLE : UNITED TECHNOLOGIES CORPORATION
ELLIOTT COMPANY
Jeannette, PA

REPORT BY : [redacted] Special Agent
Phone (412) 644-2931

MADE AT : Pittsburgh, PA

STATUS : N/A

PURPOSE : Interview of [redacted]

SYNOPSIS :

[redacted] was interviewed and provided that [redacted]

DETAILS :

1. This investigation focused on allegations that ELLIOTT COMPANY (ELLIOTT), Jeannette, PA, a wholly owned subsidiary at UNITED TECHNOLOGIES CORPORATION, provided false information for a U.S. Navy contract price proposal and that ELLIOTT had experienced quality related problems with items they have repaired for the US Navy [redacted]

2. On January 30, 1987, [redacted] was interviewed [redacted] provided essentially the following information.

. [redacted]

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TESTIMONY OF PHILLIP T. DOE

Senate Committee on Government Affairs
Subcommittee on General Services, Federalism,
and the District of Columbia

My name is Phillip Doe and I am employed by the Bureau of Reclamation, an agency within the Department of Interior.

Since its creation in 1902, the Bureau has been involved in western water development for irrigated agriculture and to lesser degrees for hydropower and municipal water.

For ten of my fourteen years of federal service, I was involved in the administration of the law that regulates the benefits available to western farmers under this program. My first involvement was in 1979 as writer for, and eventually co-leader of, a team formed from several agencies to assess the agricultural impacts of proposed Department of Interior rulemaking on the Reclamation Act of 1902. The rules were necessary because, in all of the Agency's 77 year history, no regulations had been adopted for the administration of the 1902 law. The study results were published in 1981, but final rules were never issued.

In 1982 Congress, amid calls for modernization and reform, passed the Reclamation Reform Act of 1982. Immediately after that law was passed, the Acreage Limitation Office of the Bureau of Reclamation was established in Denver to write rules and to serve as the focus for the administration of the new law.

Until July, 1988 I was part of that office. and for all but the first year of its existence, I was the office head. In early 1988, the Bureau announced plans to move the office to Washington as part of a reorganization. At the same time, the Bureau intended to move most of the Washington office to Denver. The move of the Acreage Limitation group, deemed retaliatory by some members of Congress, caused the House of Representatives to include a provision preventing the move in the Budget Reconciliation Act of 1988. This particular move, finally, did not take place.

However, in July of 1988, the Bureau did undertake a sweeping reorganization in whiich the Acreage Limitation Office was abolished. The function and staff were split into separate branches, and I was reassigned to the position of Hazardous Waste Coordinator for the Denver office. Other supervisors were also reassigned, including the two supervisors above me in the previous organizational structure. One is now coordinator for Indian Technical Assistance within the Bureau of Reclamation. The other, the former chief of Operations and Maintenance for the Bureau in Washington, and one of the staunchest supporters of the Acreage Limitation Office's work, was offered a position in Denver for which there was no job description. He declined that job and eventually took a position with another agency.

In addition, somewhat earlier in 1987, as the debate over the final rulemaking for the 1982 law intensified, the two attorneys from the Department of Interior who had provided the lion's share of the legal advice to the Agency were replaced. One quit the government soon after, and the other, who was the Assistant Solicitor for the Department on water issues, now works for the Department of Justice.

At this point in my testimony, I would like to focus on just a few of the issues which the Acreage Limitation Office dealt with during rulemaking periods for the Reclamation Reform Act of 1982. I use the plural here because there were actually two rulemakings, the first in 1983 right after the passaage of the Act. The second was in 1986-87 and was necessitated by the fact that one provision of the law, section 203(b), termed the hammer clause by some western water interests, was not dealt with during the initial rulemaking.

First the 1983 rulemaking.

Section 223 of the RRA amended one of the acts ancillary to the main body of reclamation law. That earlier act, known as the Small Reclamation Projects Act, was amended so that interest payments on water deliveries were necessary only when deliveries were made to land in excess of 960 acres in a single ownership. Previous to the amendment, the interest threshold kicked in at 160 acres. However, the Acreage Limitation Office explained to the Agency that this acreage increase was only to apply to new contracts entered into after October 12, 1982. This was according to the instructions from Conferees in the Conference Report. The Acreage Limitation Office also informed the Agency that to allow existing contracts to be amended to take advantage of the new interest threshold could result in a $12 million reduction in cost recovery to the United States. In the end, existing contracts were allowed to be amended to take advantage of the new interest threshold. Eventually, the Agency also refunded past interest payments to amending districts back to the date of the Act. The Denver office made no estimate of the cost of that settlement.

Reclamation law allows landowners who own land in excess of the entitlement, 160 acres under the 1902 Act, and 960 acres under the 1982 Act, to receive subsidized water on that land provided they agree to sell the land within a specified time frame and at a price which does not include the value added to their land by the federal project-- the added value can sometimes be in excess of $2000/acre. Because of sales moratoriums imposed in certain areas of California during the 1970s, Congress, in section 209(e), allowed for extensions in those contracts between the Bureau and the water users. The Acreage Limitation Office in Denver advised that while Congress had indeed allowed for an extension of these contracts, it had not, given the directions in 205(c) and the corroborating language in the Conference report, intended for the water subsidy to be extended also. The Office advised that a full-cost rate as defined in the law should be applied to those water deliveries. Because of the contentions made by some within and outside the Agency that section 205(c) did not apply to people electing to stay under the ownership limitation of the 1902 Act, the Acreage Limitation Office's advice was not followed.

In 1986, when the Denver Office was again gearing up for rulemaking, it asked the Agency to review once more the earlier decision. The Office advised the Agency that the decision had cost the American taxpaying public approximately $79 million in recoverable costs and that most of the water deliveries were now at a rate which did not even cover Operations and Maintenance costs. In other words, for each acre foot of water delivered, the indebtedness to the United States increased rather than decreased. The Denver office also advised that if this policy were to continue, another $52 million in recoverable costs could be lost as well as another $3 million in O and M deficits. The Agency stuck by the 1983 decision and in December of 1987, the Congress expressly required that a full-cost rate be used to price all water delivered to these excess lands.

Now the 1986-87 rulemaking.

Because of time restraints, the following is a very brief description regarding some of the major issues raised during that period:

Trusts: The Acreage Limitation Office asserted that the section in the law dealing with trusts, section 214, was for the limited purposes of protecting the extensive trust holdings of irrigated farmlands by banks, particularly in California. In other words, the law was not to be read to place banks as trustees in the catch 22 situation of also being viewed as owner subject to a 960 acre ownership limitation or as operator subject to full-cost water rates.
However, the office did not think that Congress intended for the trust provisions to be used as an escape hatch to amass family holdings in excess of 960 acres or to escape the full-cost threshold of 960 acres in a real life farming operation. In the end, the Agency adopted the position that trusts could be of unlimited size as long as no beneficiary held more than 960 acres and that they were not subject to full-cost no matter what their size as long as the lands were not leased to someone.

Family Ownership: The Acreage Limitation Office also argued that Congress intended for there to be a 960 acre limit on family ownership and that a "building block" approach, as Congress termed it, was not to be allowed. That is to say, each child or grandchild, grandmother or great grandmother, was not to be allowed a separate 960 acre entitlement. In the end, the final rules did allow all minor children, grandparents, aunts and uncles within individual families to own 960 acres provided they are not claimed as dependents by other family members.

Full-cost and Farming Operations: The Office also argued that the Congress expected full cost to be charged for all water delivered to land exceeding 960 acres in a single farming operation. In fact, OMB was so concerned about this particular issue that issuance of the draft rules was held up until a verbal agreement was struck wherein it was accepted that the Bureau would take a census of all farming operations; that if the operation exceeded 960 acres the presumption would be that it was subject to full cost for water deliveries to acreage exceeding 960; that the Denver Office would review all appeals and could deny exceptions without further review, but if an exception was recommended, it could be approved only by the Commissioner and OMB would have the right of review for one year. In the end, only farming operations where the land exceeding 960 is declared leased land does the full-cost pricing provisions for water apply. Other forms of operation, such as farm management arrangements and trusts, are excepted from full-cost water provisions, no matter what their size.

Nonresident Alien Entitlement: The Acreage Limitation Office argued that since Congress specifically denied nonresident aliens benefits under this program if they owned land directly, it might also have been their intent to deny those benefits to the same party if he or she held land indirectly through a corporation or partnership. Unfortunately, Congress did not address indirect ownership by nonresident aliens specifically, and in the end, they were allowed a 960 acre entitlement if the land was held indirectly.

O and M Deficits: The Acreage Limitation Office advised the Agency that many of the districts in the Central Valley Projects had fixed-rate contracts with the United States which, because of increasing O and M costs, did not now cover those costs. The results were that many districts owed more to the United Staes after 20 or 30 years of water delivery than they did at day one. The situation was such that in the few years since the 1883 rulemaking, the entire capital repayment base of over $40 million for the project had been eroded by over $10 million. Thus the most improbable of situations had developed: the United States was delivering over 4 million acre feet of water to the project every year, crops were being raised and sold, but the US was owed more at the end of each enterprise cycle than it had been owed at the beginning.

The Office suggested several alternatives. One was a thorough legal review of section 6 of the Reclamation Act of 1939. That section specifically disallows continued water deliveries if a district is behind in its O and M payments. In the end, Congress through the Budget Reconciliation Act of 1988 called for severe interest penalties on any O and M deficits incurred by a water district.

In the end, the final rules were written in California, signed off in Washington, and processed in Denver. The advisory function of the Denver office was taken over by a team of assistant Regional Directors from each of the Agency's five regions and the Assistant Commissioner for Planning and Operations. That group, most of whom work directly with local water users, continues to serve that function on matters dealing with Reclamation law.

Project on Military Procurement

Dina Rasor

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Testimony of Dina Rasor
Director, Project on Military Procurement
before the
Senate Governmental Affairs
Subcommittee on General Services, Federalism,
and the District of Columbia

November 13, 1989

Dear Mr. Chairman and members of the Subcommittee,

I want to thank you for inviting me to testify before your subcommittee. The Project on Military Procurement has been working with military whistleblowers since 1981 and a portion of them have attempted to use the military Inspector General hotline.

We have seen problems with the hotlines since we started the Project and have recently published our concerns as part of our whistleblower handbook entitled Courage Without Martyrdom. I have attached our section on the problems we see with federal hotlines as Appendix A. I will be happy to discuss any of our conclusions with you.

A hotline exists solely to provide an alternative channel for whistleblowers seeking to expose waste or fraud. Yet hotlines seem to be disastrously out of touch when it comes to dealing with these callers, judging from the complaints that we receive many times per month. Hotlines rarely establish a working relationship with their callers, one that would allow the hotline to save time and dramatically increase its efficacy in investigating the allegations it receives. Instead, a hotline will typically conduct one initial interview with a caller- often this is the first and last contact a caller will ever with the hotline. This amounts to a bedside manner that is devastating not only to the caller's morale, but more importantly to the hotline's effectiveness as an investigating unit.

Take, for example, the cases of two whistleblowers that have come to us in just the last month after having long and demoralizing experiences with hotlines:

> One person, the employee of a large defense contractor, called the GAO hotline to report serious allegations of ongoing time-card fraud. Unfortunately, this person says that the GAO sent them packing - they didn't want to get involved in the case. In search of another outlet, they called the DoD IG Hotline. After an initial in-person interview, they never heard from the hotline again. Perhaps an investigation proved the allegations to be unfounded, one might surmise. However, when this person filed a Freedom of Information Act Request, almost three years after the initial call, to ascertain what had become of the case, disclosure of the information was denied on the grounds that it might compromise the investigation, which was claimed to be still ongoing. All that this person got through FOIA was their own initial set of allegations.

Hotline callers should not have to resort to FOIA requests to determine the results of investigations initiated by their calls, but, unfortunately, this is a common occurrence. Frequently, even taking this extreme measure will only get them a blacked-out document excoriated of all but their original allegations:

> This was precisely the result in a second case involving someone calling the Army IG Waste, Fraud, and Abuse Hotline in order to report violations involving the unsafe handling of hazardous waste. A copy of the Army IG's final report initiated by this person's hotline call, and obtained only through FOIA, had all "Opinions, conclusions, and recommendations of the officer conducting the investigation" blacked out, the justification being one of the standard FOIA exemption clauses. In return for their effort, this whistleblower ended up being demoted to a position at a vastly lower level of responsibility because the hotline had turned over the allegations to the callers boss, in essence exposing their identity.

Beside the problems that these whistleblowers faced with the hotline, I think these examples help point out a fundamental flaw in the way that hotline investigations are handled. Most of our whistleblowers have been interviewed by the investigators of the complaints but then have been shut out of the process until the report is issued. Anyone who have done investigations into the defense bureaucracy or defense companies can tell you that the wrongdoers have become very clever in hiding their trail. Having a whistleblower with inside information is extremely valuable because they know the system and can tell you precisely what to look for. If the whistleblower is not correct in his or her allegations, it will quickly become apparent when they are not able to lead you directly to the evidence.

By keeping the source of the information at arm's length, the government investigators are throwing away an invaluable resource. Unfortunately the result is that the government is unable to find the information to validate the whistleblower's claim and the whistleblower walks away from the system in frustration with possible damage to their career. Until the whistleblower is consulted throughout the investigation and findings are shared with them for their comments and interpretations, hotlines will continue to just lure unsuspecting sources towards potential profession suicide.

Another fundamental problem with hotlines is that the people who take the complaints often can, wittingly or unwittingly, buck the charges down through the bureaucracy to the person who is responsible for the wrongdoing. It is a natural tendency for the bureaucracy to kick the information down to the level of management who oversees the activity but this often turns out to be the whistleblower's boss who is responsible for the fraud. Not only does this give the wrongdoer time to cover his or her tracks but the information sent down can pinpoint the original source of the information, i.e. the whistleblower. This is another fundamental flaw that has to be addressed if hotlines are expected to be effective and safe for the whistleblower.

I would also like to address some of the other concerns of your committee on reforming the hotline.

-- Most of the sources that have come to the Project on Military Procurement over the past nine years do not have confidence in either the effectiveness of the hotlines or the promise of anonymity. From the cases I have seen, I believe that their fears are justified.

-- I believe that as long as you force whistleblowers to resort to using the FOIA route to find out what is happening to their charges, the whistleblower will not be protected. A better way would be to let the source know what you are finding out so that they can help you and feel confident that you are taking their charges seriously.

-- I would always advise a whistleblower to never leave a message on a Federal phone machine.

-- Our whistleblower handbook was written to give the whistleblower a realistic view of the hard road of public disclosure. Many have said that our handbook is very discouraging but our answer to that is that if you read about the realities of the situation and are not sure you are able to handle the pressure, you are not ready to blow the whistle. I would like to submit a copy of our handbook for the record.

-- I think that anyone who witnesses fraud and waste in the federal system should be able to use the hotlines. Often an average citizen will see a local contractor ripping off the government but feel that they have no place to turn. However, you have to make the hotlines effective and credible or they will just breed more disillusionment with the federal government. If more resources are needed for reformed and effective hotlines, then it is money well spent.

We have outlined some of the frustrating experiences of our whistleblowers in using the hotlines and we have several other cases. We would be happy to have the committee talk to these sources in more depth with the approval of the whistleblowers. In conclusion, we believe that unless fundamental problems are solved, it is better not to waste taxpayers' money and whistleblowers' careers by having an ineffective and damaging hotline. I will be happy to answer any questions that you may have.

APPENDIX A

WHISTLEBLOWING OUTLETS

Not all whistleblowing outlets are equal. Some provide greater confidentiality than others, some are genuinely concerned about exposing waste and fraud, some want to discourage dissent. However, there are alternatives to the company or agency hotlines and you should be aware of the advantages and disadvantages of each route before you choose. We will explain how each is supposed to work and then tell you, by past examples what really does happen.

We believe from our experience of working with whistleblowers that non-profit groups, the press and false claims suits are the most effective outlets under the current circumstances and climate. Your whistleblowing situation is unique, so it is important to study each option to find the best one for your circumstances.

We will start with Executive Branch outlets that have not had a good track record and end with the outlets that we believe have proven to be the most successful. Study each section carefully.

Federal Hotlines

In 1979, the Secretary of Defense established the Department of Defense hotline as an avenue for the now Inspector General's office to learn of potential wrongdoing or mismanagement. Today there are 17 other departments and agencies that have hotlines, and the Army, Navy and Air Force each sponsor one. In an effort to institutionalize the process of reporting misconduct, the President's Council on Integrity and Efficiency (PCIE) recommended standards for receiving, controlling and screening allegations. They direct that:

-- a simple, well-publicized way be developed for agency employees and other interested persons to submit allegations of fraud, waste, abuse and mismanagement while preserving anonymity when possible and if desired;

-- a retrievable record be maintained of each allegation received;

--each allegation be screened as soon as possible after receipt based upon the nature, content, and credibility of the complaint, and in light of priorities and resources, an appropriate decision on whether or not to refer the complaint for further inquiry be made for each allegation;

--the rationale for the decision on each allegation be documented in the record.

With these standards as guidelines, hotlines are supposed to operate similarly: You call the toll-free hotline and report an allegation of fraud, waste, or mismanagement. That allegation is reviewed to determine if followup is necessary. If the allegation merits further review, it is sent to an investigator who goes into the field to research the report. If the investigation verifies the allegation, corrective action is taken and the case is closed. In theory it sounds very straightforward and simple. In practice, it is anything but clear-cut. There are far too many gray areas in federal hotline investigations largely because the government agency is investigating itself.

Problems with Hotlines

Standardization of hotline procedures has not been achieved. In a report by the PCIE (September 1987) the DOD hotline received top billing as the best run hotline but the PCIE admitted many of the other hotlines do not meet operational standards. In an effort to improve the uniform handling of hotline calls, the PCIE has set up training courses available to federal, military and private industry hotline operators.

Two areas of concern addressed in the PCIE training courses are confidentiality of the source and case followup. Confidentiality is a problem inherent in the hotline system. How does a whistleblower provide sufficient information to support the allegation without giving away details that identify himself? Because the balance is hard to strike, much of the information received is either watered down to the point that no investigation follows, or is traced back to the only person who could have that knowledge.

At some hotlines, confidentiality is treated with outright disdain. A spokesman for the DOD IG hotline (who asked not to be identified) believes many military hotline operators are more concerned about discovering who the caller is than whether the allegation is true. In an atmosphere where discipline, conformity, and unquestioning obedience to orders are prized above all else, it should come as no surprise that a whistleblower could be regarded as a traitor.

Take the case of John Kartak. After 19 years in the Army, he was assigned to the recruiting station in Minneapolis. There he found that unqualified applicants were recruited in order to meet quotas. High school diplomas were forged and criminal records were concealed so marginal recruits could be signed up. When Kartak refused to endorse the misconduct, he called the Army hotline and blew the whistle.

Kartak's "reward" for his integrity was repeated harassment including two psychological evaluations ordered by his superiors and involuntary commitment. One of his superiors told the VA hospital, "He has lodged numerous complaints recently. . .I find his behavior highly unstable. I am concerned that he may do something to harm himself or others." Kartak was also ostracized, threatened, and intimidated by his co-workers.

Kartak was vindicated when the Inspector General confirmed his charges and found at least 58 people in the Minnesota recruiting office guilty of engaging in illegal acts. In addition to forging documents, one recruiter demanded sex from a female recruit, several were dealing and using drugs and running a prostitution ring, and two were charged with receiving stolen goods purchased from criminals they recruited. But the price of Kartak's vindication was high and the abuse of the hotline system's confidentiality was evident.

Case followup is another area the PCIE emphasizes in its training courses. It would like all agencies to adopt the procedure used by the DOD and General Accounting Office (GAO) hotlines. Those hotlines assign each caller a case number so they can call back later to find out what action was taken on their allegation. This system maintains the anonymity of the whistleblower while permitting him to followup on his case. The details of the case are not disclosed to the caller, but he is told if the case was closed and whether it was substantiated.

For a full report of a closed case the whistleblower must file a request under the Freedom of Information Act (FOIA) which can jeopardize his or her anonymity. The problem is, in order to file a FOIA request, the whistleblower must identify himself. The request, with his name on it, will be sent to the IG investigating the report and can make its way back to the very persons committing the offense. This kind of Catch-22 can lead to serious reprisal.

Nancy Kusen discovered how the FOIA Catch-22 works. Ms. Kusen is a contract administrator for the Defense Contract Administration Service (DCAS). In 1985 she began complaining about overcharging and alleged shoddy work on Navy contracts by the Elliot Company. She complained first to her superiors and when nothing seemed to happen, she called the DOD hotline. The call led to an investigation by the Defense Criminal Investigating Service which substantiated many of the complaints but found no criminality. At the same time, Ms. Kusen became the target of reprisals ranging from lowered performance evaluations, denials of promotion, and repeated harassment.

In October 1986, Ms. Kusen filed a FOIA request to find out the status of her case. Records show her request was referred to the Defense Contract Audit Agency (DCAA) which, in turn, asked United Technologies Corporation (Elliot's parent company) if it objected to the release of the audits. The DCAA included a copy of Ms. Kusen's FOIA request containing her name, address and home phone number. According to the DCAA it is "routine practice" to include the FOIA request.

The FOIA request that disclosed Ms. Kusen's name to Elliot's parent company provided positive identification that she was the whistleblower, enabling them to single her out for harassment. In Ms. Kusen's case, however, the harassment already had started shortly after her initial call to the DOD hotline, convincing her that the hotline disclosed her identity to DCAS. But Ms. Kusen's experience with the FOIA request serves as a warning to other whistleblowers who may consider filing one to find out the status of their case. Ms. Kusen's case also contributed to the caveat now offered by the Inspector General's office to FOIA requestors: " Your confidential status as a hotline caller does not apply to requests under the Freedom of Information Act." Yet, if you don't file a FOIA, you can't tell if the government investigated your charges in a thorough manner.

Other problems with hotlines were noted in a General Accounting Office report on the DOD Hotline (March 1986). Although the DOD has taken steps to correct the problems, it is likely that if they exist at the best-run hotline, they exist within all hotlines. According to the GAO, there are four recurring problems with the hotline system:

* investigator objectivity

* insufficient documentation on case files

* incomplete investigative reports that do not comply with DOD reporting requirements

* limited action on planned remedial follow-up

Another problem that the GAO does not mention is DOD's current policy is that companies should govern themselves, or "self-governance" as urged by the Packard Commission and is downplaying the role of government investigators. Therefore, the hotline operators realize that challenges to the present system from within do not receive a great deal of support by DOD policymakers.

In an effort to correct the 1986 GAO report problems at the DOD hotline, the DOD has started a Quality Assurance Review. The review checks the files of DOD field investigations to ensure that the summary report matches the investigative report. DOD also claims that it is more carefully reviewing cases it refers to the services. This is important because whether it is done advertently or inadvertently, the hotline can buck the information back to the services who then can send it right back to the program manager who may be involved in the fraudulent or wasteful activity.

The record of action taken on DOD hotline allegations indicates the system is still not operating in the best interest of most whistleblowers. In the 1987 calendar year, the DOD hotline received 9,425 total contacts. It opened 1,186 cases from those contacts, substantiated 226 cases and partially substantiated another 329 cases. Not all those cases were opened in 1987. Some had dragged on from the previous years so it is impossible to know how many of the original 1,186 cases opened in 1987 were substantiated the same year. As any good investigator knows, if the government does not move within a year to substantiate charges, the bureaucracies often can cover up any fraud or waste as time goes on.

A similar GAO Fraud Hotline Summary published in April 1988 reported that during its nine years of existence, the GAO hotline received 94,000 calls, found only 13,992 cases worthy of investigation, and closed 11,246 of those cases. Of the cases closed, 1,589 were substantiated. Another 580 cases were not substantiated but action was taken to prevent improper activity from reoccurring. This means of the 94,000 hotline calls and letters reported to the GAO, 2.3 percent were substantiated or acted upon.

These figures are somewhat misleading when one considers that not every call received at the hotline is a report of fraud, waste, or mismanagement. Hotlines receive callers who have personnel problems that should be handled in-house, crank calls, people with questions and even the occasionally lonely person who just wants to talk. But it is doubtful that a significant number of the 94,000 GAO calls fell into these categories.

Whether blame for the dismal record of substantiated hotline calls can be placed on investigator objectivity, incomplete investigations, or watered down reports from the whistleblowers, the figures speak for themselves. The odds of reporting fraud, waste, and mismanagement and actually having it investigated and corrected are small. The figures above do not instill confidence in a prospective whistleblower that the hotline system will work for them.

AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES
Affiliated with AFL-CIO
80 F Street, N.W., Washington, D.C. 20001

STATEMENT

BY

JOHN N. STURDIVANT
NATIONAL PRESIDENT

AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES,
(AFL-CIO)

BEFORE THE

COMMITTEE ON GOVERNMENTAL AFFAIRS
SUBCOMMITTEE ON GENERAL SERVICES,
FEDERALISM, AND THE DISTRICT OF COLUMBIA

U. S. SENATE

ON

WASTE, FRAUD, AND ABUSE "HOTLINE" OPERATIONS

NOVEMBER 13, 1989

Mr. Chairman, members of the Committee, my name is John N. Sturdivant. I am National President of the American Federation of Government Employees, AFL-CIO (AFGE), the largest union representing federal employees. It is a pleasure to have this opportunity to present our views at this hearing on the issue of the Government's Waste, Fraud, and Abuse "Hotline" operation. AFGE represents thousands of employees in Executive Departments and Agencies that have implemented fraud hotlines. We are keenly interested in the proper functioning of these hotlines and the potential for mishandling of hotline reports as well as inconsistent administrative policies. As the Chairman has stated so often, we are also very concerned about the confidentiality of hotline reports and the protection of whistleblowers. As you well know, the past and current history of protecting whistleblowers is very dismal.

Our statement today centers around information from a membership survey which we conducted on the subject of employee awareness and attitudes toward the hotlines. In conducting our survey, we asked six basic questions about the hotline. Four questions were knowledge oriented, centering on awareness of the hotline, knowledge of the hotline number, how to find the number, and whether the number was posted in the work area. The final two questions related to employee attitudes if the employee chooses to report a fraud item and the reason for not choosing to use the hotline in reporting a fraud item. A copy of the survey is attached to this statement. As you can see, the survey is relatively simple and direct, but it did provide useful information concerning hotline operation.

EMPLOYEES UNAWARE OF HOTLINE

Our survey was distributed to each of the AFGE Districts, covering all of the United States and all of the Executive Agencies and Departments. A total of 593 surveys were returned. In response to the initial question, which asked the employee as to awareness of the fraud, waste, and abuse hotline:

- o 47% of our respondents were unaware of the hotline.

The second question was a direct query: "Do you know the hotline number?" In this case:

- o 87% of the respondents replied "No."

When next asked: "Do you know where to get the number?":

- o 62% replied "No."

Reinforcing these awareness responses was the reply to Question #4, "Is the...hotline number posted in your work area?", to which:

- o only 22% of the respondents said "Yes."

From this pattern of responses, it appears that almost half of the employees are not generally aware of the hotline. It also is apparent that the vast majority of employees are not inclined to memorize the hotline number or to know where to find the number. These responses appear to correlate to Question #4, to which only about one-fifth of the employees were aware of the hotline number being posted in the work area. These statistics would also indicate that agency publicity concerning the hotline number has not been effective.

EMPLOYEES ACCEPTANCE OF HOTLINE USE

The final two questions in our survey concerned attitudes toward use of hotlines. The first of these questions provided the respondent with six choices as to who they would contact if they chose to report an abuse. The choices were:

-- don't know;

-- supervisor;

-- fraud hotline;

-- Union;

-- member of Congress; and

-- other.

Five hundred ninety-three responses were submitted to this question. The leading categories for reporting were:

-- fraud hotline, 31%;

-- Union, 29%;

-- Don't Know, 19%;

-- Supervisor, 11%;

-- Member of Congress, 9%; and

-- other, 0%.

Realizing that this survey was from AFGE members, it is noteworthy that the most likely avenue of reporting was about equal between the hotline (31%) and the union (29%).

WHY EMPLOYEES CHOOSE NOT TO USE THE HOTLINE

The last survey question asked respondents why they did not choose the hotline to report an abuse (Question #5). In reply to this question:

- 20% marked: "Confidentiality would not be maintained."
- 27% indicated: "Fear of retribution."
- 27% marked: "Would not do any good."

By selecting these responses, 74% of those surveyed indicated an anticipated negative outcome, direct or indirect, as a result of using the hotline. For the remainder, 19% selected "Other" and 7% said: "Just too much trouble." It is clear from these replies that our respondents' perception of the hotline is not positive. There may also be a correlation between the attitude toward the hotline and the earlier replies concerning knowledge of the hotline number. In other words, if you do not expect to use the hotline because of perceived negative outcomes (Questions #4 and #5), why bother to memorize the number or even investigate where to find the number (Questions #2, #3, and #4).

Our review of the survey has centered on the statistical results. We realize that our survey was not comprehensive nor administered in a controlled environment. At the same time, the survey does represent an interesting crosscut of awareness and attitudes toward the hotline. From the results, it becomes apparent that the hotline program has a diminished acceptance level concerning confidentiality and potential for retribution. It is also apparent that agency publicity of the hotline number has not been effective. These survey results have reinforced our view that the waste, fraud, and abuse hotline is not fulfilling the expectations of Federal employees. We continue to share the Committee's concern that the hotline program needs better management, enhanced training of personnel, and greatly bolstered protections for individual employees who report suspected cases of waste, fraud, and abuse.

Mr. Chairman, I appreciate the opportunity to appear before the Committee and I would be pleased to answer any questions.

This is the AFGE National fraud, waste and abuse awareness survey. It is important that persons responsible for conducting the survey use this format precisely. The questions are designed for telephohe or in person interviews as the situation dictates.

Surveyor

Thank you for agreeing to be surveyed. You have been randomly selected. Your candid response is essential.

The government has established procedures for the public and federal employees to expose waste, fraud and abuse that occurs. Those reporting are supposed to be able to do so anonymously to prevent retaliation.

AFGE is conducting a random nationwide survey to determine if the typical federal employee is aware of such procedures and would have confidence in using them. Your response to this survey is completely confidential and will be included in a composite analyses for presentation to the Congress.

Survey Questions

Question 1. Are you aware that there is a government hotline to report fraud, waste and abuse?

Yes ____ No ____

Question 2. Do you know the hotline number?

Yes ____ No ____

Question 3. Do you know where to get the number?

Yes ____ No ____

Question 4. Is the fraud, waste and abuse hotline telephone number posted in your work area?

Yes ____ No ____

Question 5. If you chose to report federal fraud, waste and abuse, who would you contact to expose it? Please circle response(s).

a. Don't Know
b. Supervisor
c. Fraud Hotline
d. Union
e. Member of Congress
f. Other

Question 6. If you did not choose the hotline, why not? Please circle response(s).

a. Confidentiality would not be maintained?
b. Fear of retribution?
c. Just too much trouble?
d. Would not do any good?
e. Other

United States General Accounting Office

GAO

Testimony

For Release
on Delivery
Expected at
10 a.m.
Monday
November 13, 1989

Federal Fraud Hotline Operations

Statement of
Brian P. Crowley
Director of Planning and Reporting
Accounting and Financial Management Division

Before the
Subcommittee on General Services, Federalism, and the District of Columbia
Committee on Governmental Affairs
U.S. Senate

Mr. Chairman and Members of the Subcommittee:

We appreciate the opportunity to be here today to discuss our report on the status of operations of federal fraud hotlines. At your request, we obtained information on hotline operations in terms of accessibility, advertising, and staffing. We also obtained information and views on the possibility of creating a central point of contact for reporting all federal fraud, waste, and abuse. Based upon our work, we prepared a report which makes recommendations to the President's Council on Integrity and Efficiency (PCIE), whose membership includes the agencies we reviewed, to better promote hotlines and make them more accessible to potential callers.

BACKGROUND

The Inspector General Act of 1978 (Public Law 95-452) states that Inspectors General (IG) may receive and investigate employee complaints of fraud, waste, and abuse. During the 10 years since passage of the IG Act, fraud hotlines have been established in IG offices and other executive agencies for the purpose of receiving allegations of fraud, waste, abuse, and mismanagement. Additional fraud hotlines are being planned or implemented at other agencies covered by the Inspector General Act Amendments of

1988 (Public Law 100-504). The President's Council on Integrity and Efficiency reports annually to the President on the results of calls to the fraud hotlines.

To assess the operations of fraud hotlines as you requested, we obtained information on the accessibility, advertising, and staffing of 25 fraud hotlines. While many more hotlines exist within the federal government, we considered the fraud hotlines of the 24 presidentially appointed IGs and the Office of the Special Counsel, an agency established to protect federal employees alleging waste, fraud, and abuse. My testimony today summarizes our briefing report on the results of our review, Inspectors General: Fraud Hotline Operations (GAO/AFMD-90-26BR, November 1989).

HOTLINES GENERALLY OPERATING WELL

Our review found that the fraud hotlines are generally operating well in terms of accessibility, advertising, and staffing. All of the 25 hotlines we tested for accessibility were answered and identified as the location to report allegations of fraud in the agency. Twenty-two of the 25 are accessible to callers 24 hours a day. They generally rely on assigned hotline staff during business hours and use recorded messages during non-business hours and when the staff are unavailable during business hours. Three of the hotlines operate only during agency business hours and do not have an after-hours recorded message.

We found that, in most cases, the hotlines are staffed by personnel experienced in hotline operations, as well as in conducting audits or investigations. The hotline staffs also receive periodic formal training in investigative, audit, and program areas, to supplement their on-the-job experience. In addition, as a result of a 1987 PCIE study which recommended better training for hotline staff, a group of hotline officials designed a course which provided basic hotline skills and discussions of issues common among all agencies' hotline operations. The course is offered annually and has been attended, to date, by staff from over half of the agencies in our review.

Each IG office advertises its hotline to the audiences it believes are most likely to provide substantive allegations. Generally, agencies target federal employees as their principal audience, using methods such as posters and listings in agency telephone directories. Some agencies, such as the Department of Agriculture and the Department of Health and Human Services, also target program beneficiaries. The Department of Defense and the National Aeronautics and Space Administration advertise their hotlines to government contractor employees, who have been found to be excellent sources of fraud allegations.

We found some areas in which hotlines could be better promoted and be made more accessible to potential callers. We reviewed local telephone directories in eight major U.S. cities and found that federal fraud hotline numbers are listed for only two agencies in one city. We believe listing hotline numbers in the government pages of local telephone directories nationwide could be a good method for increasing accessibility to individuals who know of fraud, waste, abuse, and mismanagement in federal programs. Also, we believe that further efforts could be made to advertise the fraud hotlines to particular audiences, such as government contractor employees.

In addition, we found that some agencies do not currently have available toll-free "800" numbers for callers outside the Washington, D.C., area. Implementation of toll-free numbers in some of these agencies could make the hotlines more accessible to potential callers. For example, the Department of Housing and Urban Development is an agency without an "800" number in the IG office. This agency might benefit if persons aware of misappropriations of public housing funds had access to a toll-free number.

Finally, our test calls to agencies' general information operators indicated that operators at 6 of the 25 agencies tested were unable to provide the correct hotline number. These agencies could better assist callers who are unfamiliar with the agency or do not know the hotline number by assuring that the general operators can provide the number.

SHOULD THERE BE A CENTRAL HOTLINE?

We were asked to consider alternatives for creating a central point of contact for all reports of federal fraud, waste, and abuse. The concept of centralization involves establishing a single toll-free fraud hotline number which would be accessible to both federal employees and the public. Centralization could facilitate national advertising of the hotline as well as centralize the receipt of hotline calls. In the course of our review, we discussed three alternatives for creating a centralized hotline with hotline officials and IGs. They were (1) disbanding existing hotlines to form a central hotline, (2) combining existing hotlines along functional lines such as procurement and contractor fraud, and (3) creating a centralized computer-assisted switchboard to direct calls to individual agencies.

The biggest drawback IGs and hotline officials cited to the alternative of disbanding existing hotlines to form a centralized hotline was the difficulty in obtaining staff sufficiently knowledgeable in all agencies' programs to recognize potential allegations and properly screen calls. Since callers may not always be able to articulate their concerns, it becomes incumbent on the fraud hotline staff answering the call to be sufficiently knowledgeable about the programs to discern whether a substantive allegation exists.

The second alternative we considered involves combining existing agency hotlines along functional lines. IGs with whom we spoke believe the scope of calls to individual hotlines is much broader than one functional area; therefore, they would continue to operate their own hotlines to accommodate all program areas. As a result, the functional hotlines would only serve to duplicate existing hotlines and may confuse callers as to which hotline to contact.

The third alternative involves establishing a computer-assisted central switchboard to direct incoming calls from a single toll-free number to individual agency fraud hotlines. This alternative appears to be the easiest to implement because it would be less disruptive to existing hotline operations. However, officials with whom we spoke voiced concerns that a general operator with little program knowledge may not be able to determine the agency to which the call should be forwarded.

We believe, and hotline officials and IGs with whom we spoke concur, that it is not clearly evident that a centralized hotline system would improve the effectiveness of operations of the existing system of fraud hotlines.

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Hotlines can be useful tools for receiving allegations of fraud, waste, abuse, and mismanagement. While the existing hotlines generally work well in the areas we reviewed, there are opportunities for improvement. To better promote hotlines and to make them more accessible to potential callers, our report contains recommendations to the PCIE. Specifically, we are recommending that the Council encourage its members to

-- list their hotline numbers in the government section of local phone directories nationwide;

-- ensure that agencies' general information operators are able to provide the fraud hotline numbers to interested parties;

-- consider using toll-free hotline numbers, where not already used, for callers outside the local Washington, D.C., area; and

-- expand advertising in the contractor community.

The Vice Chair of the PCIE agreed with the results and recommendations contained in our report and advised us that the PCIE will evaluate means to implement the recommendations.

Mr. Chairman, this concludes my statement. I will be glad to respond to any questions that you or other members of the Subcommittee may have.

STATEMENT OF MR. WILLIAM M. DIEFENDERFER
DEPUTY DIRECTOR
OFFICE OF MANAGEMENT AND BUDGET
AND
CHAIRMAN
PRESIDENT'S COUNCIL ON INTEGRITY AND EFFICIENCY

BEFORE
THE
SENATE GOVERNMENTAL AFFAIRS COMMITTEE
SUBCOMMITTEE ON GENERAL SERVICES, FEDERALISM,
AND DISTRICT OF COLUMBIA

NOVEMBER 13, 1989

Thank you Mr. Chairman for inviting me to appear before the Committee and to present testimony concerning the operations of the President's Council on Integrity and Efficiency (PCIE) as well as a number of other areas of IG operations. My comments generally reflect the views of the IG members of the President's Council on Integrity and Efficiency.

Your letter of invitation requested that I appear today in my capacity as the Chairman of the President's Council on Integrity and Efficiency (PCIE). I am accompanied by Mr. James Richards, the Inspector General of the Department of Interior. Mr. Richards has been the IG at Interior since 1986, and previously served as the IG at the Department of Energy from 1981-1985. I have asked Jim to come along today to help me respond to any detailed questions the Committee may have regrading hotline operations.

As Director Darman stated in his October 5, 1989 testimony before the full Senate Governmental Affairs Committee, the Bush Administration places great value on the work of the Inspectors General. We strongly support the Inspectors General (IGs) in their efforts to eliminate fraud, abuse and mismanagement of Federal programs. To demonstrate this commitment one week after taking office, President Bush met with the IGs. At that meeting, the President discussed a wide range of issues with them and commended them in particular for their efforts to help maintain the highest standards of integrity and ethical conduct in the Federal Government. He followed up with a message to the IGs on August 15th, in which he directed them to help ensure the highest standards of ethical conduct in Government are maintained particularly through their investigative efforts.

I would like to focus on the four major topics reflected in your letter of invitation: the mission and structure and budget of the PCIE, our efforts to improve the Government's Management Integrity Program, our efforts to recruit and retain the best staff available for the IG's, and the feasibility of establishing a central point of contact (hotline) for all Federal workers to use in reporting fraud, as well as other issues regarding hotline operations.

First, let me discuss the mission and structure of the President's Council on Integrity Efficiency. The PCIE is established under Executive Order 12625, with membership that includes: the Deputy Director of OMB (as Chairman), all twenty-five Presidentially appointed Inspectors General, the Associate Attorney General, the Deputy Director of OPM, the Executive Associate Director of the FBI, the Director of the Office of Government Ethics, and the Special Counsel of the Merit Systems Protection Board.

The Council works through eight standing Committees to accomplish its mission. These Committees include: Audit, Communications and Awareness, Executive Development, Inspections and Special Reviews, Integrity and Law Enforcement, Internal Operations, Legislation, Technology Use.

The Council holds monthly meetings. These meetings are restricted to principals (or designated representatives who can commit their office to action) of the Council to ensure that discussions on issues are substantive and candid. The principals periodically discuss hotline issues during these meetings. Hotline operators do not attend Council meetings. There is no central budget for the Council. The work of the Council is carried out with the resources of its members.

Next, let me discuss the Council's efforts to improve the Government's Management Integrity Program.

As you know, OMB met with each of the Cabinet Departments and major independent agencies to review their internal control and audit followup programs. We asked that each agency Deputy request the assistance and advice of their Inspector General in conducting these new assessments. One of the objectives of these assessments was to identify any new material weaknesses which had not been reported previously and to prioritize those that had been reported earlier.

As part of this review, I met with each Inspector General to obtain their views on areas of potential material weaknesses. Based on the agency reports and the Inspector Generals' views, we have identified 100 high risk areas. We are currently finalizing this list with the agencies. Once this is completed, OMB will track the agencies' progress in correcting these problems.

In addition, the PCIE and the President's Council on Management Improvement have been designated to lead and oversee the implementation of the President's Government-wide MBO on Management Integrity. The goal of this MBO is to guarantee the effectiveness and integrity of programs and services for the public and the proper stewardship of public resources. The PCIE will be examining ways to focus senior management attention on the internal control and audit followup programs and thereby reduce the risk of fraud and waste.

Now, let me comment on the steps that are being taken to ensure that the Inspectors General can recruit and maintain well trained and highly skilled staff.

The PCIE community is working hard to recruit and retain a highly competent workforce. For the first time in over a decade, recruiters are visiting colleges and universities across the country to hire outstanding scholars without going through the usual OPM evaluation and processing procedures. Also under new OPM programs, IGs can offer academically distinguished students higher starting salaries than usual for entry level positions. The managers and staff members of the offices of Inspector General receive some of the best professional training available anywhere. IG investigators are trained at the Federal Law Enforcement Training Center at Glynco, Georgia. Auditors get basic training through the USDA Graduate School and through numerous professional organizations. Every auditor must have 80 hours of formal professional training every two years under a standard set by GAO.

Retention of skilled staff is a great concern to the IG community. Recently established special pay rates for auditors located in major cities has helped. By continuing to offer challenging work and affording individuals the opportunity to contribute to worthwhile causes, we will be able to maintain a highly professional force.

Finally, let me address some other specific issues you named concerning the operation of IG hotlines.

As you know, GAO operates a central hotline and refers allegations received from callers to Inspectors General, FBI and other appropriate authorities. As stated in their April 1988 report regarding its nine years of experience in operating its hotline, GAO received 94,000 calls of which 13,992 warranted further review. The largest "category" for the cases subject to further review included (in order of frequency) 891 reports of employee work hour abuse, 654 allegations of private use of Government property, and 605 allegations of non compliance with established agency procedures or policies. These allegations covered a broad range of complaints including bid rigging, improper contracting procedures, and improper receipt of Federal benefit payments.

The IGs also operate their own agency specific hotlines, and annually receive about 10,000 allegations of fraud, abuse and mismanagement or other irregularities from agency employees and the public. In July 1989, the Council completed a review of the "Characteristics" of Inspector General Investigations. The report is based on a review of all investigations conducted by 18 IG members of PCIE during a one month period (February 1988). The review showed that IG hotline allegations accounted for 30 of the 919 cases reviewed (3%). One of these allegations lead to a criminal conviction; Justice declined to prosecute five cases; six were referred to Department management for appropriate action, 17 were closed, and 1 other case was subject to "other action".

In general, the IGs have substantial concerns about operating a centralized hotline for reporting fraud, waste, and mismanagement.

If such a centralized operation took on the traditional hotline role of receiving, evaluating, referring and following up on complaints received, it would mean that the caller would have to go through no fewer than two or three interviews. One of these interviews would be with the centralized operator, followed by another with the Agency hotline officer, and a "final" interview with an investigator or auditor to whom the matter was referred for action. This is not likely to further the purposes for which the hotlines were created. That is to provide ready access to a confidential reporting source for agency personnel. Hotlines when used in specific agencies facilitate the speedy introduction of persons with substantive information about wrongdoing to action officials who are in a position to do something about the alleged fraud, waste or mismanagement. Therefore, PCIE continues to support agency specific hotlines.

A central hotline would be expensive for the IGs to operate, considering the amount and type of training necessary to equip a person with good telephone interviewing skills, the variety and complexity of Federal government departments and agencies and would likely be of limited effectiveness because of a lack of familiarity with the variety of agency programs covered.

We canvassed the IGs and 22 indicated they had individual hotlines, 21 use answering machines. We don't have data that shows how callers may react to the use of these machines. However, the majority of IGs only use answering machines to cover the calls that come in after working hours.

An issue you raised focuses on the need to advise whistleblowers of their rights. The rights of whistleblowers are fixed by law. Inspector General hot lines are not staffed by persons trained to give what is essentially legal advice. I am told that IG hotline operators do generally advise hotline callers that their identity will not be disclosed without their consent unless it is determined by the Inspector General that such disclosure is unavoidable during the course of an investigation.

Another issue relates to public access to IG hotlines. Generally, members of the public do have access to IG hotlines. Many IGs have a toll free 800 number for that purpose or for a Federal employee who does not want to use a Government telephone.

Finally, you were concerned about the issue of _hotline operator complaints_. I am not familiar with complaints by hotline operators. I am told that many IG hotlines are recipients of calls seeking information or complaining about benefit and entitlement programs. I am also told that most IG hotline staffs refer these people to the appropriate program offices. Some entitlement and benefit programs maintain their own hotlines.

That concludes my prepared remarks. I will be happy to respond to any questions.

7TH CONGRESS | HOUSE OF REPRESENTATIVES | REPORT
2d Session | | No. 97-458

AMENDING AND SUPPLEMENTING THE FEDERAL RECLAMATION LAWS, AND FOR OTHER PURPOSES

MARCH 15, 1982.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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Mr. UDALL, from the Committee on Interior and Insular Affairs, submitted the following

REPORT

together with

ADDITIONAL AND SUPPLEMENTAL VIEWS

[To accompany H.R. 5539]

The Committee on Interior and Insular Affairs, to whom was referred the bill (H.R. 5539) to amend and supplement the Federal reclamation laws, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Page 1, line 3, strike all after the enacting clause and insert the following:

That this Act shall amend and supplement the Act of June 17, 1902, and Acts supplementary thereto and amendatory thereof (43 U.S.C. 371).

DEFINITIONS

SEC. 2. As used in this Act, the term—

(a) "Secretary" shall mean the Secretary of the Interior;

(b) "Federal reclamation laws" shall mean the Act of June 17, 1902 (43 U.S.C. 371), and all Acts amendatory or supplementary thereto;

(c) "person" shall mean any individual, including his or her spouse, and including other dependents thereof within the meaning of the Internal Revenue Code (26 U.S.C. 152), who is a citizen of the United States or a resident alien thereof, or any partnership or association of such individuals organized under State law, or a domestic corporation which is not a member of an affiliated group and which does not have more than eighteen individual shareholders;

(d) "project" shall mean any reclamation or irrigation project, including incidental features thereof, authorized by the Federal reclamation laws, or constructed by the United States pursuant to such laws, or in connection with which there is a repayment contract executed by the United States pursuant to such laws, or any project constructed by the Secretary through the Bureau of Reclamation for the reclamation of lands;

ADDITIONAL VIEWS

OVERVIEW

The long overdue reform of federal water pricing and water project repayment policies are essential components of H.R. 5539. Unrealistic pricing and repaying policies are responsible for numerous indefensible practices which must be altered in order to bring Reclamation policy into conformity with fiscal and resource realities of the 1980s and beyond. The absence of a coordinated and clearly defined policy has contributed to—

(1) unintended and unjustifiable taxpayer subsidies costing hundreds of millions of dollars to irrigators who possess the capacity for far greater repayment;

(2) the failure to implement water conservation programs;

(3) the construction of fiscally unsound projects;

(4) the irrigation of marginally useable lands, generating additional demands for water service and supplemental construction; and

(5) the delay in introducing new technology to assure more efficient use of water resources.

The Secretary is mandated to make the broadest possible application of the pricing reforms contained in this legislation. This includes new or renegotiated contracts, supplemental benefits under existing authorized projects, and the voluntary election of districts or individuals who come under the terms of the pricing policy in order to secure larger acreage limits or other features of the new law.

These reforms would apply to all irrigators, large and small, subsidized or paying "full cost." Smaller farmers, under 960 acres, will continue to receive project benefits without an obligation to repay interest on their proportionate share of construction charges. However, all farmers will be required to pay all operation and maintenance costs related to water delivered to them. Those costs, which in the past have been frozen in 40-year contracts, must be recalculated annually by the Bureau of Reclamation. All customers will be required to pay the full operation and maintenance charge as revised on an annual basis.

The "ability to pay" discount on repayment costs will continue for owner/operators with farms of less than 960 acres.

The "ability to pay" discount, and the interest free repayment subsidy, will be eliminated for farms larger than 960 acres (and for corporations of more than eighteen persons which were not receiving water as of October 1, 1981). There is no public purpose or rationale within the Reclamation laws for providing taxpayer subsidies to large-scale farming interests which can well afford to pay for the public benefits they receive.

These water pricing reforms are essential to the integrity of H.R. 5539. The entire history of this legislation, through five years of hearings and debates, establishes that comprehensive pricing reforms, broadly applied and rigorously enforced, must be a fundamental component of the revision of the Reclamation laws.

Any effort to undermine these provisions through further amendment, legal challenge or regulatory circumvention would irreparably compromise the remainder of the legislation.

Pricing reforms will reduce unjustified taxpayer subsidies to large scale farmers while preserving benefits to the intended beneficiaries of the Reclamation program—the small farmer. Realistic pricing will stimulate more efficient water use by encouraging water conservation and new irrigation techniques, and will compel Congress and intended beneficiaries to consider more carefully the fiscal soundness of water projects. Lastly, the two-tiered pricing system contained in H.R. 5539 may provide greater stimulus to small-scale farming than strict acreages imposed by statute or regulatory action.

SUBSIDIES IN RECLAMATION

In reviewing the subsidization of water projects in 1981, the United States General Accounting Office concluded that "the original rationale for building federal projects and increasing the subsidy . . . have been reached and projects should be reevaluated in light of current economic and social conditions."[1] So, too, must the Congress reevaluate the agricultural, economic and social purposes of the federal Reclamation program in light of the economic reality of the 1980s.

The original purpose of the Reclamation laws was to encourage settlement of the West by providing subsidized benefits to small, family farmers. The subsidies were justified as a lure to promote settlement, and to enhance the profitability of agricultural development which would have been marginal, or altogether impossible in the absence of the subsidy.

Subsidies and small farming have forever been inextricably linked in the Reclamation program. As recently as 1959, during the debate on the massive San Luis Unit in California's Central Valley, the intent of that project was described by its congressional sponsor, Rep. B. F. Sisk: "It is inevitable and historic that under the impact of reclamation laws, as well as the economics of farm management and operation, these lands will break down into family-size units, each cultivated by individual owners and their families." Anticipating that subsidized benefits would flow to small farms, Congress has repeatedly authorized projects and appropriated funds for this program.

Even before enactment of the Reclamation program, participants in the irrigation Congresses of the 1890s warned that the program could become a "scheme of speculators and land grabbers to loot the national treasury for private profit." As we know from the Environmental Impact Statement of 1980 on the proposed Reclamation regulations, that prophecy has come to pervade a substantial portion of today's Reclamation program. According to the EIS, only 2.5% of today's Reclamation farm operations are in excess of the 960-acre limitation established in this legislation. But that small percentage of operators controls over 30% of all the land in the Reclamation program. Billions of dollars in public subsidies have flowed to wealthy farming interests—the oil companies, railroad, land developers, banks and other corporations—who control massive tracts of agricultural land instead of to small, family farmers.

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[1] GAO, "Federal Charges for Irrigation Projects Reviewed Do Not Cover Costs" (Washington, 3/13/81) iv.

For years, this Committee and the Congress have heard the opinions of large operators who have enjoyed the benefits of the public investment but objected to government's efforts to assure that those benefits flowed only to those for whom the Reclamation program was intended. This duplicity, however, can be endured no longer. As the eminent conservative columnist George Will has written—

> Compared with some cowboys, symbols of rugged individualism: hairy-chested, leathery-skilled, crows-feet around the eyes—who use heavily subsidized water, graze their cattle on public land for a pittance and have their market protected by beef import quotas—compared with such Marlboro men, the average inner-city welfare mother is the soul of self-reliance.[8]

REDESION OF THE RECLAMATION PROGRAM

The goal of these amendments to the Reclamation Act is to redesign the program based on sound economic principles. The water pricing provisions included in H.R. 5539 would introduce fiscal responsibility into the Reclamation program for the first time in its history, and would place water conservation and resource management on a par with irrigation and farm development as goals of the Reclamation Act.

BROAD APPLICATION ESSENTIAL

To achieve these goals, it is vital that the maximum number of irrigators be included under the terms of this Act. To that end, the Committee will require application of the new pricing provisions whenever contracts are signed, amended or extended, and will permit individuals to elect to come under the new law even if the district of which they are members refuses to do so.

Wherever and whenever possible, the Department of the Interior should use the provisions of this Act and the Reclamation laws to recover more fully for the taxpayers of the United States the costs of these projects.

Great potential for cost recovery exists. In California, where many of the larger farms which will be affected by the full cost recovery section are situated, repayment contracts currently exist only for $500 million out of a total of $2.7 billion attributable to irrigation.

PRICING REFORMS

✓ The legislation creates a two-tiered pricing policy, but requires changes in the calculation of water and repayment rates for all farmers regardless of farm size. While subsidies, in the form of the "ability to pay" discount and interest free repayment of construction costs, would continue for farm operations of less than 960 acres, these irrigators will also be affected by the pricing reforms of H.R. 5539.

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[8] Washington Post, 10/1/81.

The bill requires full payment and the annual recalculation of operation and maintenance charges for water service for all irrigators, regardless of farm size. Although the Bureau of Reclamation currently calculates these costs on an annual basis, O&M charges have frequently been frozen in longterm contracts. Thus in some areas, farmers pay $3.50 an acre foot or less for water which costs the government many times that amount to deliver, despite the irrigator's much greater payment capacity.

Farmers operating more than 960 acres would not only repay full O&M charges, but would lose the "ability to pay" discount, and would be required to pay interest on remaining unpaid construction costs. Large farms would therefore be eligible to participate in the program, but would be denied the substantial financial subsidies intended for smaller farmers.

ABILITY TO PAY REVISIONS

The Secretary should use the opportunity of the new law to correct serious abuses in the calculation of "ability to pay" which result in unjustified subsidies. In its report of May 23, 1975, "More Effective Procedures Are Needed for Establishing Payment Terms and Development Periods for Irrigation Projects," GAO called for the revision of the Bureau's methods for calculating "ability to pay." According to GAO, the Bureau frequently calculates "ability to pay" on the basis of the 320-acre farm allowed by current law, even in the case of farms much larger than 320 acres. Since the larger farm may be more profitable than the smaller farm, the larger farmers would enjoy an unjustified subsidy if his "ability to pay" were calculated on the 320-acre basis. Moreover, GAO noted, current practice allows the Bureau to reduce payment obligations based on a reduction in an irrigator's payment ability, but does not permit the government to require larger payments when the irrigator's profits improve.[3]

Ability to pay, for farmers with fewer than 960 acres to whom the discount is available in the future, should be calculated on accurate estimates of payment capacity based on a farm's true size and profitability in order to assure a fair return to the government and to minimize unwarranted subsidization. Similarly, a farm with more than 960 acres would not be eligible for an "ability to pay" discount at all for acreage above 960. However, that additional acreage must be considered when determining the true ability to pay of that farmer for his eligible 960 acres.

ELIMINATION OF INTEREST SUBSIDY

Large scale irrigators would lose the "ability to pay" discount entirely, and would be compelled to pay interest on all remaining capital costs. The intent of this requirement is to remove taxpayer subsidies from farms with acreage in excess of 960 acres.

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[3] See GAO Report at page 11; also, "Relationship Between Farm Size and Ability to Pay for Irrigation Water", University of Idaho, cited in GAO at page 5.

Forgiven interest has long been the most costly subsidy in the Reclamation program. Recent studies by the General Accounting Office have documented the staggering scope of these subsidies, and challenged the rationale for them.

"When these interest subsidies were authorized for irrigation users at the turn of the century, they were considered well affordable because interest rates were very low," GAO noted last year. "With today's high interest rates, more and more tax dollars are needed to provide interest-free financing for irrigators."[4]

In the case of just three projects studied—Oroville-Tonasket, Tualatin, and Lakeview, Texas—the interest subsidy will exceed $660 million. In another major study last year, GAO found that taxpayers will subsidize between 92% and 97% of six projects studied.[5]

GOALS OF PRICING REFORM

There is no intent by the Committee, nor certainly on my part as author of these pricing reforms, to exact usurious repayment from irrigators. Rather, the legislative intent of these reforms is to eliminate unjustified and unintentional subsidies from those who can afford to pay benefits they receive, thereby stimulating improved management and more efficient use of water resources.

Realistic water priving will help to achieve these goals. Over a decade ago, the National Water Commission reviewed pricing policies in California and concluded that "a sharp boost in water use efficiency and declines in consumption occurred after significant increases in price."[6]

A decade later, the Department of Agriculture issued its report on the Nation's farms, "A Time To Choose," which endorsed "legislation to allow more realistic pricing of water. Like energy, as long as water's price is not reflective of its value in use, conservation will be inadequate."

Potential savings from enhanced prices will be substantial. An Interior Department study in 1979 found that water is used at 40% efficiency when priced between $1 and $3. With a price increase to $10 an acre foot, efficiency was improved by 50%. More realistic pricing of water in comparably arid areas have promoted the extensive use of water conservation technology. In Israel, twice as much crop is produced with the same amount of water we consume in the West. For example, high technology systems like drip irrigation, which uses just 1% as much water as open furrow irrigation still common in the Western United States, is used to grow even row crops like cotton.

Realistic water pricing creates the economic incentive for technological innovation, whereas excessive subsidization encourages reliance on traditional wasteful methods. Much of our Reclamation water is still delivered through unlined ditches, one of the major reasons that only half the water, according to GAO, is ever used on the crops for which it was intended.

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[4] GAO, "Reforming Interest Provisions in Federal Water Laws Could Save Millions (Washington: 10/22/81) 10.

[5] GAO (3/13/81) 37.

[6] "Pricing and Efficiency in Water Resources Management" (1971), cited in the Congressional Record, July 20, 1977, E 4654.

Farmers can afford higher prices. In California, adjacent farms
ten receive water from two separate sources. Those receiving fed-
al, subsidized water pay as little as $3.50 an acre foot while those
ceiving state project water, which is far less subsidized, are paying
2 to $29. Because of the fixed price contracts, moreover, the federal
stomers will still pay $3.50 in 1990 while state project costs will have
en to $61–$70 an acre foot.[7]

PRICES ENCOURAGE EFFICIENCY

Obviously, state project customers survive economically with the
gher price. USDA economists Harry Ayer and Paul Hoyt found
it higher prices resulted in reduced consumption, substantial water
ings, and higher profits for irrigators. Ayer and Hoyt concluded
at increasing water prices in Arizona from very low (50¢ per acre
h) to medium high ($2 to $5 per acre inch) would result in a six
h saving per acre, or a project-wide reduction of 3%. That volume
water, equivalent to 144,000 acre feet, could provide water service
the entire city of Tucson for two years.

Moreover, Ayer and Hoyt concluded, farmers' profits could rise by
ercent to 2 percent, even accounting for reduction in crop yields.[8]

STIMULUS TO SMALL FARMS

astly, it appears probable that the two-tiered pricing system em-
lied in H.R. 5539 may provide a greater stimulus to small farms
in the legislative promise of the original Reclamation laws. The con-
uation of the subsidy for smaller farms, according to a recent study
the University of California (Davis), hold more promise than for
uring the continuation of small farms in the Reclamation program
in the administrative or statutory mandates.

CONCLUSION

The original intent of the Reclamation Program, according to its
ef sponsor, was to create an irrigation system "which would impose
burden on the taxpayers of the country." It is evident that the
clamation program of 1982 imposes phenomenal burdens on the
payers. It is therefore essential, as we modify the law to satisfy
concerns of irrigators, that we also include long overdue reforms to
tigate the concerns of the taxpayers who have inadvertantly as-
ned most of the repayment obligations of this program.

It would be fiscally irresponsible to alter the Reclamation program
hout requiring those water pricing refroms. Without these reforms,
v would we explain to those suffering substantial reductions in
ential services, due to budgetary restrictions, that some of the
althiest and most profitable corporations are to continue to receive
sidies from taxpayers!

Ronald Roble, Director, California Department of Water Resources, "Comments on
Proposed CVP Water Rate Policy" (2/26/81). For similar findings, see the audit of
Central Valley Project power account, 1977, page 38.

Harry W. Ayer and Paul G. Hoyt, "Irrigation Management and Water Policy: Op-
unities to Conserve Water in Arizona", paper presented at Arizona-Nevada Academy
ience, Las Vegas, April 11, 1980.

How would we explain to farmers in the Mid-West, the South and other non-Reclamation states that we use taxpayers money to underwrite the profligate misuse of resources by competitors in the West?

How could we explain to to an elderly citizen in New England whose energy assistance program is under assault, or to commuter whose gasoline bills are astronomic that deregulation is a good policy when the oil companies sell gasoline and home heating oil, but that elimination of subsidies is not a good policy when we sell the taxpayers' water to the oil companies and other large-scale farming interests in the West?

There is no rationale. Regional equity, fiscal policy, responsible resource management and the goals of the Reclamation program not only require the water pricing provisions included in this bill, but compel the Secretary of the Interior to utilize every method at his disposal to insure that these pricing guidelines are imposed as rigorously and as broadly as possible.

George Miller.

Excerpts From Congressional Record Statements by Senator McClure

* * * * * * *

* * * The conference report establishes an absolute limit on the amount of subsidy that an individual or legal entity may receive from the reclamation program. (*Congressional Record*, September 24, 1982, p. S 12198)

* * * * * * *

* * * We must recognize that what we are trying to do in this legislation is get away from the building-block concept that allows an almost infinite multiplication of 160 acre units depending upon how many members of the family you can get involved, to put a real cap on the size. (*Congressional Record*, July 16, 1982, p. S 8469)

United States General Accounting Office

GAO

Briefing Report to the Chairman, Subcommittee on General Services, Federalism, and the District of Columbia, Committee on Governmental Affairs, U.S. Senate

November 1989

INSPECTORS GENERAL

Fraud Hotline Operations

GAO
United States
General Accounting Office
Washington, D.C. 20548

Accounting and Financial
Management Division

B-237226-1

November 13, 1989

The Honorable Jim Sasser
Chairman, Subcommittee on General
  Services, Federalism, and
  the District of Columbia
Committee on Governmental Affairs
United States Senate

Dear Mr. Chairman:

In response to your April 3, 1989, letter, we are providing you with the results of our review of the federal government's fraud hotlines. Our report summarizes information presented in our August 28, 1989, briefing to your office. Specifically, this report addresses your request to review hotline policies and procedures for receiving calls, which included obtaining information on the accessibility of hotlines to federal workers and the general public, and the backgrounds and training provided fraud hotline staff. In addition, as requested, we obtained information and views on the possibility of creating a central point of contact for all reports of federal fraud, waste, and abuse.

BACKGROUND

The Inspector General Act of 1978 (Public Law 95-452) states that Inspectors General (IG) may receive and investigate employee complaints of fraud, waste, and abuse. During the 10 years since passage of the IG Act, fraud hotlines have been established in inspector general offices and other executive agencies for the purpose of receiving allegations of fraud, waste, abuse, and mismanagement within their own agencies. In addition, shortly after this act was implemented, the General Accounting Office (GAO) established a nationwide, toll-free hotline to combat fraud, waste, and abuse in the federal government. Additional fraud hotlines are being planned or implemented at other agencies covered by the Inspector General Act Amendments of 1988 (Public Law 100-504). The President's Council on Integrity and Efficiency (PCIE), whose membership is made up largely of the presidentially appointed IGs, reports annually to the President on the results of calls to the fraud hotlines.

RESULTS IN BRIEF

Our review found that the fraud hotlines are generally operating well in terms of accessibility, advertising, and staffing. All 25 hotlines we tested for accessibility were answered and identified themselves as the location to report allegations of fraud in the agency. These hotlines are staffed by personnel experienced in hotline operations, as well as experienced in conducting audits or investigations in most cases. The hotline staffs also receive periodic formal training to supplement their on-the-job experience. Further, each IG office advertises its hotline to the audiences it believes are most likely to provide substantive allegations. Generally, agencies target federal employees as their principal audience, using methods such as posters and listings in agency phone directories. Some also target program beneficiaries.

We found some areas in which hotlines could be better promoted and be made more accessible to potential callers. We believe listing hotline numbers in the government pages of local telephone directories nationwide could be a good method for increasing accessibility to individuals who know of fraud, waste, abuse, and mismanagement in federal programs. In addition, six agencies do not currently have available toll-free "800" numbers for callers outside the Washington, D.C., area. Implementation of toll-free numbers in some of these agencies could make the hotlines more accessible to callers outside the local area.

Also, further efforts could be made to promote the fraud hotlines to particular audiences, such as government contractor employees. Finally, our test calls to agencies' general information operators indicated that operators at 6 of the 25 agencies tested were unable to provide the correct hotline number. These agencies could better assist callers who are unfamiliar with the agency or do not know the hotline number by assuring that the general operators can provide the hotline number.

We found no compelling reason for centralizing hotline operations. We believe, and hotline officials and IGs with whom we spoke concur, that it is not clearly evident that a centralized hotline system would improve the effectiveness of operations of the existing system of fraud hotlines as a means of receiving reports of fraud, waste, abuse, and mismanagement. Through discussions with IGs and hotline staff, we found that it is desirable that staff answering the hotlines work in the agencies and be familiar with the issues and programs that are subjects of the allegations. In addition, some IGs cited the concern that the use of a central point for receipt of allegations would unnecessarily delay agencies' receipt and handling of allegations by adding an additional step in the process.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of this review were to (1) review hotline policies and procedures for receiving calls, which included obtaining information on the accessibility of hotlines to federal workers and the general public and the backgrounds and training provided fraud hotline staff, and (2) obtain information and views on the possibility of creating a central point of contact for all reports of federal fraud, waste, and abuse.

To assess the operations of fraud hotlines, we obtained information on accessibility, advertising and staffing of 25 fraud hotlines. While many more hotlines exist within the federal government,[1] we focused on the hotlines of the 24 IGs appointed by the President and the Office of the Special Counsel, an agency established to protect federal employees alleging waste, fraud, and abuse. The PCIE included it in its published list of federal fraud hotlines. (Appendix V lists the hotlines included in our review.)

With regard to accessibility of the hotlines, we identified all published numbers for each of the 25 fraud hotlines and tested the accessibility of each published number (local Washington, D.C. area, toll-free "800" and/or the federal government's internal telephone system numbers) during normal business hours, lunch hours, and after business hours. For purposes of testing, we determined that a fraud hotline's accessibility was acceptable if, for the fraud hotline number published, the call was answered and identified--either by a person or a recording--as a fraud hotline. We also called each agencies' general information number to determine whether the operator could provide us the fraud hotline number(s).

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[1] Additional hotlines exist within the federal government to respond to both fraud and other purposes. They include, for example, the Department of Energy's hotline, which receives information regarding nuclear events, and the National Aeronautics and Space Administration's hotline, which receives allegations regarding space flights and safety violations.

We compared agencies' fraud hotline policies and procedures and interviewed fraud hotline officials to determine the background and training of fraud hotline staff and whether there is a need to standardize policies among agencies for receiving calls. In these interviews, we also obtained specifics about each hotline's operation, such as hours of operation, advertising, and costs.

We interviewed fraud hotline officials for all 25 agencies, and six IGs active in the PCIE, to discuss the feasibility of creating a central point of contact for all reports of fraud, waste and abuse, and to identify alternative means to make fraud hotlines more accessible to federal employees and the public. We also discussed some alternatives with telecommunications experts from American Telephone & Telegraph, MCI Communications, Inc. and Microlog, Inc.

We conducted our review from April 1989 through August 1989 in accordance with generally accepted government auditing standards. The views of hotline officials, selected IGs, and the Vice Chair of the PCIE were sought during the course of our work and are incorporated where appropriate. In addition, we discussed the results of our review and our recommendations with the Vice Chair of the PCIE, and incorporated his comments where appropriate.

RECOMMENDATIONS

We recommend that the PCIE improve accessibility of the hotlines by encouraging its members to

- list their hotline numbers in the government section of local phone directories nationwide;
- ensure that agencies'general information operators are able to provide the fraud hotline numbers to interested parties;
- consider using toll-free hotline numbers, where not already used, for callers outside the local Washington, D.C., area; and
- expand advertising in the contractor community.

The Vice Chair of the PCIE agreed with the results and recommendations contained in this report and advised us that the PCIE will evaluate means to implement the recommendations.

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Appendixes I through III provide additional details on hotline accessibility, staff backgrounds and training, and issues regarding centralization. Appendix IV provides examples of advertisements used by four fraud hotlines, and appendix V lists the agencies included in our review and their hotline telephone numbers.

As agreed with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from the date of this letter. At that time we will send copies to the Directors of the Office of Management and Budget and the Office of Special Counsel, the Chair and Vice Chair of the PCIE, and each presidentially appointed inspector general, and we will make copies available to others upon request. This report was prepared under the direction of John J. Adair, Director, Audit Oversight and Policy, who may be reached on 275-9359 if you or your staff have any questions. Major contributors are listed in appendix VI.

Sincerely yours,

Donald H Chapin

Donald H. Chapin
Assistant Comptroller General

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ABBREVIATIONS

GAO	General Accounting Office
IG	Inspector General
OIG	Office of Inspector General
PCIE	President's Council on Integrity and Efficiency

ACCESSIBILITY OF FRAUD HOTLINES

CURRENT ACCESSIBILITY:

- HOTLINES AT 25 AGENCIES
- SIX AGENCIES DO NOT HAVE TOLL-FREE NUMBERS
- HOTLINES ANSWERED DURING AND AFTER BUSINESS HOURS
- SIX AGENCIES' GENERAL OPERATORS COULD NOT PROVIDE HOTLINE NUMBER
- ADVERTISED TO FEDERAL EMPLOYEES AND PROGRAM BENEFICIARIES, SOME GOVERNMENT CONTRACTORS
- LITTLE ADVERTISING TO GENERAL PUBLIC
- HOTLINES NOT LISTED IN LOCAL TELEPHONE DIRECTORIES

ACCESSIBILITY OF FRAUD HOTLINES

FRAUD HOTLINES ARE ACCESSIBLE BUT IMPROVEMENTS CAN BE MADE

All the 24 presidentially appointed inspector general offices, including new offices which were established following 1988 amendments to the IG Act, operate fraud hotline telephones that enable individuals to report allegations of fraud, waste, and mismanagement. In addition, the Office of the Special Counsel, whose mission it is to protect federal employees making allegations of federal fraud, waste, and mismanagement, operates a hotline. The PCIE's Fiscal Year 1988 Report to the President also identified the Federal Bureau of Investigation, the Office of Management and Budget, and the Office of Government Ethics as having hotlines. However, these three agencies, in fact, do not currently operate fraud hotlines.

The fraud hotlines have local numbers that are accessible toll-free in the Washington, D.C., area. In addition, 19 of the 25 agencies operate "800" numbers that are toll-free when calling from elsewhere in the United States.[2] Some agencies, such as the Department of State, the United States Information Agency, and the Agency for International Development, do not use "800" numbers because their employees are mainly overseas and have other channels, such as cables, to communicate with the inspector general's office.

By expanding the use of "800" numbers, we believe some other agencies might improve the accessibility of their hotlines to individuals who would know about possible wrongdoing that could warrant an inspector general inquiry. For example, the Department of Housing and Urban Development might benefit if persons aware of misappropriations of public housing funds had access to an "800" number in the inspector general's office. Other agencies which might benefit from "800" numbers include the Small Business Administration and the Office of Personnel Management. These agencies indicated that, at present, they do not believe an "800" line would be cost beneficial. Specific reasons cited include the fact that the limited number of calls currently received does not justify the expense, or the likelihood that the hotline would be inappropriately used as an information line. However, telecommunications experts told us that the cost to maintain an

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[2] The Railroad Retirement Board, located in Chicago, Illinois, has available a toll-free local hotline number in the Chicago area, and also operates an "800" number for calls originating outside Chicago.

"800" line is minimal, with the only fluctuating cost being the long distance charges for individual calls. Thus, the costs would be in proportion to the number of calls an agency received per year and, therefore, most likely small for agencies with few calls.

We tested each of the 25 hotlines to determine their accessibility during business hours, lunch hours, and non-business hours. Twenty-two of the 25 are accessible to callers 24 hours a day. They generally rely on assigned hotline staff during business hours and use recorded messages during non-business hours and when the staff are unavailable during business hours. Three of the hotlines operate only during agency business hours and do not have an after-hours recorded message.[3] Our test calls to the local Washington, D.C., hotline numbers and the "800" numbers, for those agencies with them, were all answered and identified as the location to report fraud for the agency.[4]

We had mixed results from our test calls to the 25 agencies' general information operators to determine if they knew the hotline numbers. Six were unable to provide the correct numbers. We believe that general operators could greatly assist callers who wish to report allegations of fraud, waste, and abuse by providing the hotline number to callers unfamiliar with the agency fraud hotline or who do not know its number.

AGENCIES TARGET ADVERTISING PRIMARILY TO FEDERAL EMPLOYEES

The 25 hotlines that we reviewed focused their advertising predominantly on federal employees. Hotline officials we spoke with consider employees to be the most likely source of substantive allegations since they work with and should be more familiar with federal programs. The primary forms of advertising used by agencies include posters hung in agency facilities, listings of the hotline numbers in agency phone directories, and advertising in the IGs semi-annual reports (see appendix IV). Other methods, used to varying degrees, include brochures on fraud, waste, and abuse in the federal workplace, listing of fraud hotline numbers on employee pay stubs, and discussions of fraud prevention during employee orientation seminars.

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[3] The Office of the Special Counsel does not consider it necessary to maintain a 24-hour hotline since its purpose is to protect federal employees making allegations. The Department of Justice, which established its hotline in July 1989, plans to make an after-hours recorded message service available in the near future. In addition, the Office of Personnel Management had an after-hours recording for several years. However, it received very few calls and no substantive allegations, and therefore discontinued the service. Since it is now a statutory IG, however, it plans to take a more active stance and re-implement a recording service in the near future.

[4] For the Railroad Retirement Board, the local hotline number tested was the local number in the Chicago, Illinois, area.

The Departments of Health and Human Services and Agriculture, which administer social programs, also target advertising to program beneficiaries. The Department of Health and Human Services, for example, provides posters to social security offices nationally and places advertisements in periodicals familiar to medicaid/medicare recipients. The Department of Agriculture prints the hotline number in each booklet of food stamps.

In addition, the Department of Defense requires contractors receiving over $5 million in defense contracts to either establish a fraud hotline or advertise the Department's hotline number. Defense hotline officials found contractors to be an excellent source of fraud allegations. They provide advertising of its hotline to contractors in the form of posters and pamphlets as well as audio-visual presentations. The National Aeronautics and Space Administration also provides posters advertising its hotline to contractors. Since other agencies, such as the General Services Administration, also rely on contractors, we suggest those agencies which use contractors, might also benefit from targeting advertising toward the contractor community.

Agencies with fraud hotlines do not actively target advertising to the public. We reviewed local phone directories in eight major U.S. cities and found that federal fraud hotline numbers are listed for only two agencies in one city. While the opinions of hotline officials and selected IGs we spoke with vary regarding the value of advertising to the public, all support listing major federal hotline numbers in local phone directories nationwide. Listing numbers could serve to increase accessibility of hotline numbers to citizens who know of fraud, waste, and abuse in federal programs.

STAFFING OF FRAUD HOTLINES

HOTLINES APPEAR TO BE APPROPRIATELY STAFFED BASED ON THE WIDE VARIATIONS AMONG AGENCIES IN

-- THE VOLUME OF CALLS RECEIVED PER STAFF MEMBER AND

-- THE COMPLEXITY OF ALLEGATIONS RELATIVE TO STAFFS' TRAINING AND BACKGROUND

SIZE AND BACKGROUNDS OF HOTLINE STAFF VARY CONSIDERABLY AMONG AGENCIES

STAFF ARE EXPERIENCED IN HOTLINE OPERATIONS

MOST HAVE PRIOR INVESTIGATIVE, AUDIT, OR PROGRAM EXPERIENCE

STAFF RECEIVE FORMAL TRAINING TO SUPPLEMENT ON-THE-JOB EXPERIENCE

STAFFING OF FRAUD HOTLINES

While the number and backgrounds of fraud hotline staff vary, agencies appear to staff their hotlines appropriately based on our review of the number and type of calls received and the background and training of the assigned staff. The volume of calls and the complexity of allegations among agencies vary greatly. Agencies appear to staff their hotlines to accommodate these disparities, which we believe is appropriate and reasonable. All hotline staff are experienced in hotline operations and most have prior experience in investigative, audit, or specific program areas. In addition, hotline staff receive periodic formal training to supplement on-the-job and prior experience.

For the 25 agencies that we reviewed, the number of staff assigned to hotline duties varies from no separate assigned staff to a staff of 17 which serve on a rotational basis. However, over half of the agencies rely on a single person either on a full-time or part-time basis. Fraud hotline officials and IGs we spoke with indicated that staffing levels are often based on the number and complexity of calls received, and variations are to be expected. The size of the staffs appears consistent with the volume of calls each agency receives. For example, Defense's staff of 15 received over 10,000 calls in fiscal year 1988. In contrast, the Agency for International Development, which has no full-time staff, but assigns an investigator to calls as they are received, had four calls in fiscal year 1988. Those agencies with few calls believe that staffing a hotline full-time would not be cost beneficial.

Many of the hotline officials emphasized the importance of the staffs' background to the success of the hotline operation. They consider the ability to elicit sufficient, appropriate information through effective interviewing skills and an understanding of the agency's programs to be the most important skills hotline personnel can have. The majority of hotline officials believe fraud hotlines should be staffed by criminal investigators who are trained to recognize and ask the right questions to obtain substantive information on allegations. The remainder believe, however, that staff with strong backgrounds in agency program requirements and training in audit, interviewing, and investigative techniques can be as effective in recognizing and screening potential allegations as criminal investigators.

Of the staff employed by the 25 hotlines in our review, almost two-thirds are criminal investigators, and the remainder are management or program analysts. The grade levels of fraud hotline staff also vary, with the largest number of hotline operators at the GS-13 level. Where there is not a criminal investigator actively assigned to the hotline, supervisors with investigative experience actively participate in screening and processing hotline calls. Almost all hotline staff have several years prior experience working within their agency or other federal agencies in an audit or investigative capacity. As a result, they are familiar with agency programs as well as techniques for screening hotline calls.

All 25 agencies rely on on-the-job training in addition to hotline staffs' prior experience. Furthermore, most agencies provide formal training in investigative, audit, and program areas to supplement on-the-job experience. For example, a third of the agencies having staff with strong investigative or audit skills also provide training in agency program requirements. Conversely, another third with personnel who have strong program backgrounds also provide hotline staff with investigative training. In addition, as a result of a 1987 PCIE study which recommended better training for hotline staff, a group of hotline officials designed a course. The course, which was made available in 1988 and 1989, focused on providing basic hotline skills and discussions of issues common to all agencies' hotline operations. The course has been attended by staff from over half of the 25 agencies in our review. At present, the group plans to continue making similar courses available on an annual basis.

ISSUES REGARDING CENTRALIZATION OF FRAUD HOTLINES

NO COMPELLING REASON FOR CENTRALIZATION

ALTERNATIVES CONSIDERED FOR CENTRALIZATION INCLUDE:

-- DISBANDING EXISTING HOTLINES TO FORM SINGLE CENTRAL HOTLINE

DRAWBACKS: DIFFICULT TO OBTAIN STAFF KNOWLEDGEABLE IN ALL PROGRAMS

QUESTIONABLE WHO WOULD FINANCE AND MANAGE CENTRAL HOTLINE

-- COMBINING EXISTING HOTLINES ALONG FUNCTIONAL LINES

DRAWBACKS: DUPLICATES EXISTING HOTLINES

SCOPE OF AN AGENCY'S CALLS BROADER THAN ONE FUNCTIONAL AREA

-- ESTABLISHING A CENTRALIZED COMPUTER-ASSISTED CENTRAL SWITCHBOARD

DRAWBACK: GENERAL OPERATORS MAY LACK NECESSARY PROGRAM KNOWLEDGE FOR DIRECTING CALLS

ISSUES REGARDING CENTRALIZATION OF FRAUD HOTLINES

We were asked to consider alternatives for creating a central point of contact for all reports of federal fraud, waste, and abuse. The concept of centralization of the hotlines involves establishing a single toll-free fraud hotline number which would be accessible to both federal employees and the public. Centralization could facilitate national advertising of the hotline as well as centralize the receipt of hotline calls in one location. In the course of discussing centralization with hotline officials and IGs, three alternatives evolved. The three alternatives include disbanding existing hotlines to form a central hotline, combining existing hotlines along functional lines, or creating a centralized computer-assisted switchboard to direct calls to individual agencies.

We found no compelling reason for centralizing hotline operations. Through discussions with IGs and hotline staff, we found that it is desirable that staff answering the hotlines work in the agencies and be familiar with the issues and programs that are subjects of the allegations. In addition, some IGs expressed the concern that the use of a central point for receipt of allegations would unnecessarily delay agencies' receipt and handling of allegations by adding an additional step in the process. We believe, and hotline officials and IGs with whom we spoke concur, that it is not clearly evident that a centralized hotline system would improve the effectiveness of operations of the existing system of fraud hotlines as a means of receiving reports of fraud, waste, abuse, and mismanagement.

In the course of our review, we discussed the three alternatives for creating a centralized hotline with hotline officials from 25 agencies and 6 IGs. Specific concerns for each of the three alternatives we considered are discussed below.

One alternative we considered would be to disband existing agency hotlines and create a central fraud hotline, using a single toll-free number. Under this alternative, the central hotline staff would both receive and screen incoming calls, similar to what is currently done by individual agencies. The information obtained from the calls would be forwarded to agency IG offices to investigate.

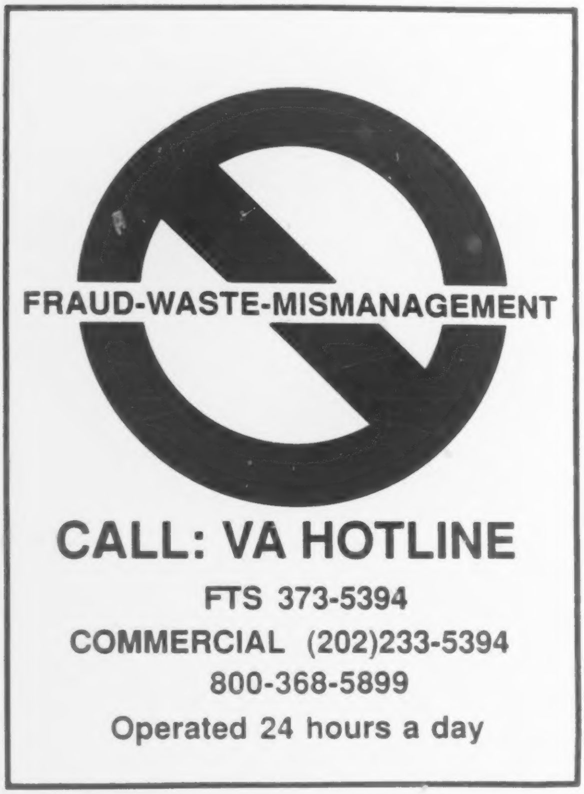
The biggest drawback IGs and fraud hotline officials cited was the difficulty in obtaining staff sufficiently knowledgeable in all agencies' programs to recognize potential allegations and properly screen calls. They indicated that each program has unique requirements and what may be a potential allegation about one program may not be for another. Since callers may not always be able to articulate their concerns, it becomes incumbent on the fraud hotline staff answering the call to be sufficiently knowledgeable about the programs to discern whether a substantive allegation exists. In addition, the IGs with whom we spoke felt it would be difficult to decide who would manage the central hotline and how it would be financed. One IG proposed that an individual existing hotline be expanded to cover all other agencies, but other IGs said they would continue their own hotlines even if this were done.

The second alternative we considered involves combining existing agency hotlines along functional lines. For example, a single hotline could be established for hotline calls which deal primarily with fraud in the procurement and contract issue area (for example, for the Departments of Defense and Energy, the National Aeronautics and Space Administration, and the General Services Administration). A single agency could operate the functional line and bill the other agencies based on an established scale.

IGs with whom we spoke believe the scope of calls to individual hotlines is much broader than one functional area. They indicated that they would want to continue to operate their own hotlines to accommodate all program areas, even if functional hotlines were established. As a result, this alternative would only serve to duplicate existing hotlines and may also confuse callers as to which hotline to contact.

The third alternative considered involves the establishment of a computer-assisted central switchboard to direct incoming calls from a single toll-free number to the individual agency fraud hotlines already in existence. Under this alternative, a single number could be advertized nationwide even though the existing hotlines would continue to operate separately. We discussed the approach with experts in the telecommunications field who indicated that the technology exists to accomplish this alternative. This alternative appears to be the easiest to implement because it would be less disruptive to existing hotline operations. However, officials with whom we spoke voiced concerns that a general operator with little program knowledge may not be able to determine the agency to which the call should be forwarded.

EXAMPLES OF ADVERTISING USED BY FRAUD HOTLINES



FRAUD-WASTE-MISMANAGEMENT

CALL: VA HOTLINE

FTS 373-5394

COMMERCIAL (202)233-5394

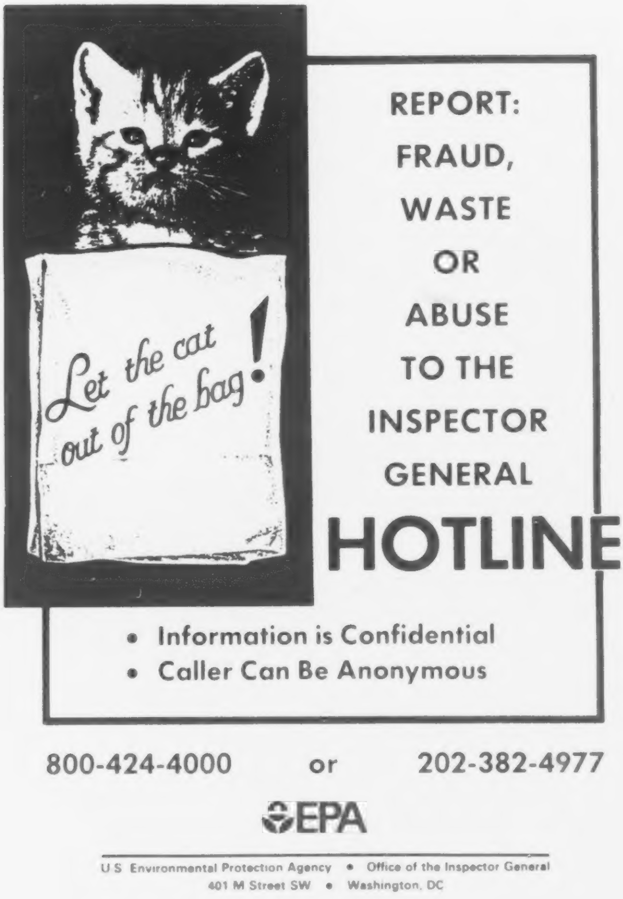
800-368-5899

Operated 24 hours a day

Department of Veterans Affairs
Office of Inspector General
Washington DC 20420

Semiannual Report 21
October 1, 1988–March 31, 1989
RCS 50-0568
May 1989

Source: Veterans Administration--Office of the Inspector General semi-annual report



Let the cat out of the bag!

REPORT:
FRAUD,
WASTE
OR
ABUSE
TO THE
INSPECTOR
GENERAL

HOTLINE

- Information is Confidential
- Caller Can Be Anonymous

800-424-4000 or **202-382-4977**

EPA

U.S. Environmental Protection Agency • Office of the Inspector General
401 M Street SW • Washington, DC

Source: Environmental Protection Agency's semi-annual report to the President (March 1988)

OUR RIGHT
AND OUR DUTY
We the People

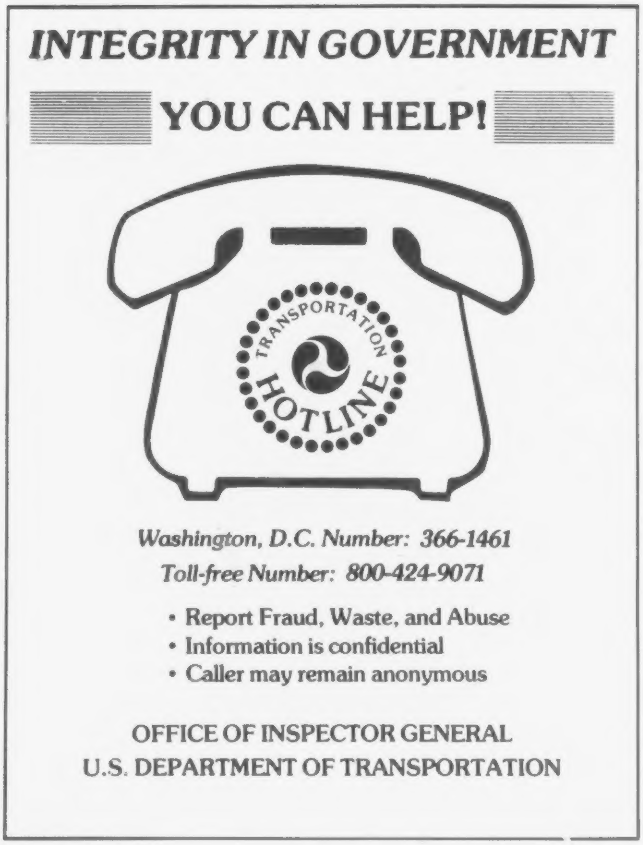
Report
Waste, Fraud & Mismanagement

TO THE UNITED STATES DEPARTMENT OF STATE
OFFICE OF INSPECTOR GENERAL

HOTLINE 202-647-3320

OR WRITE TO:
THE UNITED STATES DEPARTMENT OF STATE
P.O. BOX 19392 WASHINGTON, D.C. 20030-9392

Source: Department of State--Office of the Inspector General


TRANSPORTATION
HOTLINE

INTEGRITY IN GOVERNMENT

YOU CAN HELP!

Washington, D.C. Number: 366-1461
Toll-free Number: 800-424-9071

- Report Fraud, Waste, and Abuse
- Information is confidential
- Caller may remain anonymous

OFFICE OF INSPECTOR GENERAL
U.S. DEPARTMENT OF TRANSPORTATION

Source: Department of Transportation--Office of the Inspector General

HOTLINE NUMBERS OF AGENCIES REVIEWED

1.	Department of Agriculture	(202) 472-1388 (800) 424-9121
2.	Agency for International Development	(202) 875-4999
3.	Department of Commerce	(202) 377-2495 (800) 424-5197
4.	Department of Defense	(202) 693-5080 (800) 424-9098
5.	Department of Education	(202) 755-2770 (800) 647-8733
6.	Department of Energy	(202) 586-4073 (800) 541-1625
7.	Environmental Protection Agency	(202) 382-4977 (800) 424-4000
8.	General Services Administration	(202) 566-1780 (800) 424-5210
9.	Department of Health and Human Services	(301) 965-5953 (800) 368-5779
10.	Department of Housing and Urban Development	(202) 472-4200
11.	Department of Interior	(202) 343-2424 (800) 424-5081
12.	Department of Justice	(202) 633-3435 (800) 869-4499
13.	Department of Labor	(202) 357-0227 (800) 424-5409
14.	National Aeronautics and Space Administration	(202) 755-3402 (800) 424-9183
15.	Office of Personnel Management	(202) 632-4423

(continued)

16.	Office of the Special Counsel	(202) 653-9125 (800) 872-9855
17.	Railroad Retirement Board	(312) 751-4336 (800) 772-4258
18.	Small Business Administration	(202) 653-7557
19.	Department of State	(202) 647-3320
20.	Department of Transportation	(202) 366-1461 (800) 424-9071
21.	Department of Treasury	(202) 566-7901 (800) 826-0407
22.	United States Information Agency	(202) 485-8202
23.	Veterans Administration	(202) 233-5394 (800) 368-5899
24.	Federal Emergency Management Agency	(800) 245-5554
25.	Nuclear Regulatory Commission	(202) 492-7301 (800) 426-8096

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